

Docketed:

September 29, 1998 Court: United States Court of Appeals for the Federal Circuit

Entry Date

Proceedings and Orders

Sep 28 1998	Petition for writ of certiorari filed. (Response due November 28, 1998)
Oct 20 1998	Order extending time to file response to petition until November 28, 1998.
Oct 20 1998	This extension is granted for all respondents.
Nov 24 1998	Brief amici curiae of Ohio, et al. filed.
Nov 25 1998	Motion of The Regents of the University of California for leave to file a brief as amicus curiae filed.
Nov 27 1998	Brief of respondent United States in opposition filed.
Nov 30 1998	Brief of respondent College Savings Bank in opposition filed.
Dec 9 1998	DISTRIBUTED. January 8, 1999
Dec 15 1998	Reply brief of petitioner Florida Prepaid Postsecondary Education Expense Board filed.
Jan 8 1999	Motion of The Regents of the University of California for leave to file a brief as amicus curiae GRANTED.
Jan 8 1999	Petition GRANTED. The brief of petitioner is to be filed with the Clerk and served upon opposing counsel on or before 3 p.m., Monday, February 22, 1999. The brief of respondents is to be filed with the Clerk and served upon opposing counsel on or before 3 p.m., Wednesday, March 24, 1999. A reply brief, if any, is to be filed with the Clerk and served upon opposing counsel on or before 3 p.m. Monday, April 12, 1999. Rule 29.2 does not apply.
	SET FOR ARGUMENT April 20, 1999.

Feb 18 1999	Joint appendix filed.
Feb 19 1999	Brief of petitioner Florida Prepaid Postsecondary Education Expense Board filed.
Feb 22 1999	Brief amici curiae of National Conference of State Legislatures, et al. filed.
Feb 22 1999	Brief amici curiae of Ohio, et al. filed.
Feb 22 1999	Brief amicus curiae of Regents of the Univeristy of California filed.
Mar 3 1999	Record filed.
Mar 8 1999	Record filed.
Mar 16 1999	Motion of Solicitor General for divided argument filed.
Mar 17 1999	CIRCULATED.
Mar 22 1999	Brief amicus curiae of New York Intellectual Property Law Association filed.
Mar 22 1999	Brief amicus curiae of Assn. of the Bar of the City of New York filed.
Mar 23 1999	Brief amicus curiae of Association of American Railroads filed.

Entry Date

Proceedings and Orders

Mar 23 1999 Brief amicus curiae of American Intellectual Property Law Association filed.

Mar 23 1999 Brief amicus curiae of Pacific Legal Foundation filed.

Mar 24 1999 Brief of respondent United States filed.

Mar 24 1999 Brief of respondent College Savings Bank filed.

Mar 24 1999 Brief amici curiae of Association of American Publishers, Inc., et al. filed.

Mar 24 1999 Brief amici curiae of American Society of Composers, Authors, and Publishers, et al. filed.

Apr 5 1999 Motion of Solicitor General for divided argument GRANTED. to be divided evenly between counsel for College Savings Bank and the Solicitor General.

Apr 6 1999 Motion of Federal Circuit Bar Association for leave to file a brief as amicus curiae filed.

Apr 9 1999 Reply brief of petitioner Florida Prepaid Postsecondary Education Expense Board filed.

Apr 19 1999 Motion of Federal Circuit Bar Association for leave to file a brief as amicus curiae GRANTED.

Apr 20 1999 ARGUED.

No.

98 531 SEP 28 1997

In The

OFFICE OF THE CLERK

Supreme Court of the United States

October Term, 1997

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

*On Petition for Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit*

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Did Congress have power under section 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the States and make them amenable to suit in federal court for patent infringement by enacting section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), 35 U.S.C. §§ 271(h), 296(a)?

STATEMENT OF INTERESTED PARTIES

Petitioner Florida Prepaid Postsecondary Education Expense Board was the defendant before the District Court and the appellant before the Court of Appeals. Recently, the Florida legislature changed Petitioner's name to the Florida Prepaid College Board. Petitioner is referred to by its earlier name in this Petition for the sake of clarity and convenience. Petitioner is a body corporate of the state of Florida and does not have any parent or subsidiary corporations. *See Fla. Stat. § 240.551.*

Respondent College Savings Bank was the plaintiff before the District Court and an appellee before the Court of Appeals. Respondent United States of America intervened in the action before the District Court and was an appellee before the Court of Appeals.

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OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit is reported at *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1355 (Fed. Cir. 1998) (App. A). The opinion of the United States District Court for the District of New Jersey is reported at *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 948 F. Supp. 400 (D. N.J. 1996) (App. B).

STATEMENT OF JURISDICTION

The judgment of the United States Court of Appeals for the Federal Circuit ("the Court of Appeals") was entered on June 30, 1998. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

The United States of America intervened in the District Court pursuant to 28 U.S.C. § 2403(a) and is a respondent before this Court.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, section 8, clause 8 of the United States Constitution provides that

Congress shall have Power . . .

[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries[.]

The Eleventh Amendment to the Constitution provides:

The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

The Fourteenth Amendment to the Constitution provides, in pertinent part:

[Section 1]

No State shall . . . deprive any person of life, liberty, or property, without due process of law[.]

[Section 5]

The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.

Section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), provides, in pertinent part:

As used in this section, the term "whoever" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity.

[35 U.S.C. § 271(h)]

Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be

immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal Court by any person . . . for infringement of a patent under section 271, or for any other violation under this title.

[35 U.S.C. § 296(a)]

STATEMENT OF THE CASE

Petitioner Florida Prepaid Postsecondary Education Expense Board ("Florida Prepaid") seeks review of a decision by the United States Court of Appeals for the Federal Circuit which affirmed the District Court's refusal to dismiss, notwithstanding the Eleventh Amendment, a patent infringement suit brought against Florida Prepaid by Respondent College Savings Bank ("CSB"). Pursuant to 28 U.S.C. § 2403(a), Respondent United States of America intervened in this action before the District Court in support of CSB's position.

The District Court exercised jurisdiction over this action pursuant to 28 U.S.C. § 1338. The Court of Appeals had jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) and the collateral order doctrine. *See Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 147 (1993).

Florida Prepaid is an agency of the state of Florida created to administer a prepaid college tuition and dormitory-expense funding program. *See Fla. Stat. § 240.551*. The principal purpose of the Florida Prepaid program is to enable and encourage Floridians to obtain the benefits of higher education by providing an easy, effective, and safe way to overcome the financial obstacles that too often have put college beyond their reach. Participants in the program, generally open to Florida residents or the children of

Florida residents, *see* Fla. Stat. § 240.551(2)(e)(1)-(3), pay a contract price today that entitles program beneficiaries to a college education at a future date. The program is a top Florida priority:

The State considers this an essential governmental operation to assist its citizens to access higher education. All legal and beneficial interests in the assets held by the trust fund are vested in the State for its exclusive benefit and the exclusive benefit of the colleges and universities; therefore, payments are guaranteed to be made on the beneficiary's behalf to the State college or university. Exercise of full benefits under the contract guarantees the beneficiary receipt of services and the beneficiary will not receive any funds.

Florida Prepaid Master Covenant, § 5.08.

The District Court found that Florida Prepaid is an "arm of the state" of Florida and thereby entitled to assert Florida's Eleventh Amendment immunity as a bar to jurisdiction in federal court. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 948 F. Supp. 400 (D. N.J. 1996); *see* App. B at 41a-57a. The Court of Appeals accepted that finding. App. A at 2a n.1.

CSB is a commercial financial institution that markets a certificate of deposit product designed to assist customers with investing to cover the costs of a college education. CSB owns a United States patent, No. 4,722,055, relating to a calculation methodology used with its certificate of deposit product. On November 7, 1994, CSB sued Florida Prepaid for patent infringement in the United States District Court for the District of New Jersey, at Civ. No. 94-5610 (GEB). On August 25, 1995, CSB brought a second action against Florida Prepaid in the same

court, at Civ. No. 95-4516 (GEB), this time alleging "false advertising" in violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and the common law prohibition of unfair competition. The two cases were not consolidated for trial, although discovery proceeded jointly.

After this Court announced its decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), Florida Prepaid moved to dismiss both the patent infringement action and the Lanham Act suit for lack of subject matter jurisdiction, contending that both matters were barred by the Eleventh Amendment. The United States intervened to defend the constitutionality of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992) (the "Patent Remedy Act"), which had purported to make the states amenable to suit in federal court for patent infringement, and the Trademark Remedy Clarification Act of 1992, Pub. L. No. 102-542, 106 Stat. 3567 (1992), which had purported to make the states amenable to suit in federal court under the Lanham Act. With respect to the instant case, both CSB and the United States argued that Congress possessed authority under section 5 of the Fourteenth Amendment to abrogate Eleventh Amendment immunity and permit patent infringement suits against the states in federal court.

In a single decision issued on December 13, 1996, the District Court granted Florida Prepaid's motion to dismiss the Lanham Act case but denied the motion to dismiss the patent infringement action. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 948 F. Supp. 400 (D. N.J. 1996); App. B. Both CSB and the United States appealed the dismissal of the Lanham Act suit to the Third Circuit, which affirmed the District Court's decision. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 131 F.3d 353 (3d Cir. 1997). CSB has filed a petition for a writ of certiorari to the Third Circuit, which Florida Prepaid has opposed. *See College Savings*

Bank v. Florida Prepaid Postsecondary Education Expense Board, No. 98-149 (U.S. 1998), *pending*.

Florida Prepaid appealed the District Court's decision in this patent infringement case to the United States Court of Appeals for the Federal Circuit, which affirmed the decision in an opinion dated June 30, 1998. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1355 (Fed. Cir. 1998); App. A. The Federal Circuit held that section 5 of the Fourteenth Amendment empowers Congress to enforce the Due Process Clause of the Fourteenth Amendment and protect "property" interests inherent in patents by abrogating Eleventh Amendment immunity and authorizing patent infringement suits against the states in federal court.

REASONS FOR GRANTING THE WRIT

The critical constitutional issue raised by this Petition is of vital importance to all states and their agencies, as well as to our system of constitutional federalism. Allowing private parties to sue states for patent infringement in federal courts works a drastic, nationwide change in the law of sovereign immunity that has repercussions far beyond patent law. Such a change should be effected — or rejected — only by this Court.

Moreover, the result and reasoning of the Court of Appeals conflict with two landmark decisions of this Court: *Seminole Tribe of Florida v. Florida* with respect to the Eleventh Amendment, and *City of Boerne v. Flores* with respect to the Fourteenth Amendment. The Federal Circuit's decision also conflicts with a decision from the Fifth Circuit, *Chavez v. Arte Publico Press*, which held that Congress has no power under the Fourteenth Amendment to permit copyright infringement actions against the states in federal court. The decision below and *Chavez* cannot both be good law.

Finally, this case is a highly suitable vehicle, in an important context, for the Court to further explain, implement and refine its decision in *Seminole Tribe*. This special combination of features strongly warrants review by this Court.

I.

SUBJECTING THE STATES TO PATENT INFRINGEMENT SUITS IN FEDERAL COURTS CONTRAVENES FUNDAMENTAL TENETS OF FEDERALISM AND IMPOSES UNCONSTITUTIONAL BURDENS ON THE STATES THAT SHOULD NOT BE PERMITTED WITHOUT REVIEW BY THIS COURT.

This case is of exceptional importance to states, state agencies, and state instrumentalities across the nation. The erroneous decision of the Court of Appeals, which holds that a state may be sued for patent infringement in federal court, casts aside the Eleventh Amendment and its bedrock principles of federalism. One result is that states are now exposed to extremely burdensome and costly patent litigation against state governments, state universities, and state programs. The money damages that can be available in patent infringement suits are precisely the type of threat to state finances and state sovereignty that the Eleventh Amendment was intended to eliminate.¹ The consequences would be severe even if the only potential targets of litigation were other state-run prepaid tuition and tuition savings programs,² but of

1. By insisting that "the burden that the Patent Remedy Act places on states is slight," App. A at 25a, the Court of Appeals closes its eyes to both the realities of complex litigation and the important state interests on which the Eleventh Amendment is premised.

2. Many states have created programs similar to that administered by Florida Prepaid. See, e.g., Ala. Code § 16-33C-6 (1991); Alaska Stat. § 14.40.807 (1991); Ind. Code Ann. § 21-8-4-2 (Burns 1991); Ky. Rev.

course the decision below means that *any* arm of a state may be sued for patent infringement in federal court.

States now may be haled into a federal court across the country, as occurred here, when Florida Prepaid was required to defend itself in New Jersey.³ See generally 28 U.S.C. § 1400 (venue). Because of the large number of vendors and business partners with which they regularly deal, states will frequently be exposed to suits alleging contributory infringement, see 35 U.S.C. § 271(c), with no control over how or where such suits are brought.

The money damages available in patent infringement litigation can be enormous. See 35 U.S.C. §§ 284 (general damages, including interest and costs; treble damages), 285 (attorney's fees). Merely refraining from infringement is not sufficient protection for a state; a single wrongly decided suit could cost a state millions, even billions, of dollars. Moreover, the threat of damage awards in meritless litigation could result in defensive settlements or cause a state to refrain from implementing new technologies.

As this Court is aware, the Federal Circuit has exclusive, nationwide jurisdiction over patent appeals, and therefore the effects of its decision cannot be challenged directly elsewhere, or avoided. If the law of the land is to be that states are exposed to

(Cont'd)

Stat. § 164A.337 (1992); La. Rev. Stat. Ann. § 17:3129.4 (West 1989 & Supp. 1992); Mich. Comp. Laws Ann. § 390.1427 (West 1988); Ohio Rev. Code Ann. § 3334.02 (Anderson 1990 & Supp. 1994); Pa. Cons. Stat. § 6901.309(c) (1992); Tex. Code Ann. § 54.633 (1995); Wyo. Stat. § 21-16-502 (1991).

3. "A State's constitutional interest in immunity encompasses not merely *whether* it may be sued, but *where* it may be sued." *Pennhurst State School & Hospital v. Halderman*, 465 U.S. 89, 99 (1984) (emphasis in original; footnote omitted).

the burdens of patent infringement suits, and that patent suits constitute an exception to the rules of *Seminole Tribe* and *City of Boerne*, at the very least it should be this Court, rather than a single circuit, that declares it so. This Court should therefore grant certiorari to review the decision of the Court of Appeals.

II.

THE DECISION OF THE COURT OF APPEALS CONFLICTS WITH THIS COURT'S DECISION IN *SEMINOLE TRIBE OF FLORIDA v. FLORIDA*, WHICH HELD THAT CONGRESS LACKS POWER UNDER ARTICLE I TO CURTAIL STATE ELEVENTH AMENDMENT IMMUNITY.

In *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), this Court held that Congress has no power under Article I of the Constitution to abrogate the Eleventh Amendment immunity enjoyed by the states: "The Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction."⁴ *Id.* at 72-73. Because the patent statutes represent an exercise of congressional power under Article I, section 8, clause 8 of the Constitution, which provides Congress with the authority to grant and protect patents, the holding of *Seminole Tribe* is squarely applicable here. Thus, patent infringement claims brought

4. The statutory provision at issue in *Seminole Tribe* was directly authorized by the Indian Commerce Clause; the Court expanded its holding to include the Interstate Commerce Clause because it was necessary to overrule the Eleventh Amendment holding of *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), which had been based on the Interstate Commerce Clause. See *Seminole Tribe*, 517 U.S. at 63 (stating that "*Union Gas* allows no principled distinction in favor of the States to be drawn between the Indian Commerce Clause and the Interstate Commerce Clause"). As the language quoted in the text above makes clear, the Court's rationale necessarily extended to Article I in its entirety.

under these statutes against a state or state agency in federal court must be dismissed as barred by the Eleventh Amendment.

Seminole Tribe makes it perfectly plain that Congress enjoys no power to abrogate Eleventh Amendment immunity under *any* provision of Article I of the Constitution. The breadth of the Court's holding, and its clear applicability to patent law, is undeniable:

In overruling *Union Gas* today, we reconfirm that the background principle of state sovereign immunity embodied in the Eleventh Amendment is not so ephemeral as to dissipate when the subject of the suit is an area, like the regulation of Indian commerce, that is under the exclusive control of the Federal Government. Even when the Constitution vests in Congress complete lawmaking authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against unconsenting States.

517 U.S. at 72 (footnote omitted). Patents are likewise under exclusive federal control, as provided for in the Constitution, but that authority does not carry with it the power to negate the Eleventh Amendment in patent litigation.

The Court of Appeals acknowledged *Seminole Tribe's* limitation of Congress's Article I power, but rescued the Patent Remedy Act from unconstitutionality by holding that it can be treated as an exercise of enforcement power under section 5 of the Fourteenth Amendment. According to the Court of Appeals,

[u]nlike many forms of property only recently recognized, patents were certainly considered property at the time of the Fourteenth Amendment. . . . To claim that patents do not warrant protection

is tantamount to asserting that Congress may not, under any circumstance, abrogate the states' Eleventh Amendment immunity pursuant to the Due Process Clause when seeking to protect persons from the risk of unlawful deprivation of their property. Such would, in our view, amount to a direct contradiction of the text of the Fourteenth Amendment and its application by the Supreme Court.

App. A at 17a-18a (citation omitted).

After *Seminole Tribe*, however, courts must be wary of accepting a contention that a particular congressional attempt to abrogate Eleventh Amendment immunity is a legitimate exercise of Fourteenth Amendment power. The Court clearly indicated in *Seminole Tribe* that it did not expect its decision to be undermined by resort to the Fourteenth Amendment. In dissent, Justice Stevens complained that the Court's holding

prevents Congress from providing a federal forum for a broad range of actions against States, from those sounding in copyright and patent law, to those concerning bankruptcy, environmental law, and the regulation of our vast national economy.

517 U.S. at 77 (Stevens, J., dissenting). In response, the Court called Justice Stevens' complaint "exaggerated" and "misleadingly overbroad." 517 U.S. at 72 n.16. The Court noted that "several avenues remain open for ensuring state compliance with federal law," including actions for injunctive relief under *Ex Parte Young*, 209 U.S. 123 (1908), suits by the federal government, and review by the Supreme Court of state court decisions. 517 U.S. at 72 n.16; *id.* at 71 n.14. The Court did *not* suggest, however, that abrogation accomplished via the

Fourteenth Amendment would be an available alternative to abrogation under Article I in the situations described by Justice Stevens.

In the patent litigation context and elsewhere, therefore, courts must be vigilant so that congressional enforcement power under section 5 of the Fourteenth Amendment, which applies only to the substantive provisions of that Amendment, is not improperly converted into a replacement for the entirety of Article I. Surely Congress is not free to transform exercises of Article I power, such as the regulation of patents, into applications of Fourteenth Amendment enforcement authority simply because the Fourteenth Amendment is Congress's only remaining source of power to abrogate the Eleventh Amendment. Judicial recognition of such ad hoc invocations of Fourteenth Amendment power would flout the rule announced in *Seminole Tribe* and would nullify the Eleventh Amendment. "The need to promote the supremacy of federal law must be accommodated to the constitutional immunity of the States." *Idaho v. Coeur d'Alene Tribe of Idaho*, 117 S. Ct. 2028, 2038 (1997) (quoting *Pennhurst State School & Hospital v. Halderman*, 465 U.S. 89, 105 (1984)).

One commentator has explained cogently the jeopardy to the Eleventh Amendment created by congressional reliance on Fourteenth Amendment authority to protect congressionally created rights:

In *Seminole Tribe*, the Court held that Congress has the power to abrogate Eleventh Amendment immunity pursuant to its power to enforce the Fourteenth Amendment, but not under its Article I legislative power. The Fourteenth Amendment, however, includes a clause prohibiting states from depriving persons of property without due process of law. Can Congress pass a statute giving

individuals a property right vis-a-vis the states and then, to "enforce" the Due Process Clause, abrogate the states' Eleventh Amendment immunity with respect to suits to enforce that right? An affirmative answer to this question threatens to reduce *Seminole Tribe's* abrogation holding to nothing. . . . If this reasoning were to hold, then Congress's power to abrogate Eleventh Amendment immunity would appear to be coextensive with its power to legislate under Article I, and, if so, *Seminole Tribe's* holding that Congress lacks the power to abrogate Eleventh Amendment immunity under Article I would be eviscerated.

Carlos Manuel Vazquez, *What Is Eleventh Amendment Immunity?*, 106 Yale L.J. 1683, 1744-46 (1997); see also Henry Paul Monaghan, *Comment: The Sovereign Immunity "Exception,"* 110 Harv. L. Rev. 102, 126 n.162 (1996) ("Whether the *Seminole Tribe* majority would permit so transparent an evisceration of its holdings is unclear.").

Unlike the Court of Appeals here, other courts have recognized the need to avoid "eviscerating" the Eleventh Amendment when either approving or rejecting abrogations of immunity. Post-*Seminole Tribe* decisions that have upheld congressional abrogations of Eleventh Amendment immunity have done so where the traditional guarantees of the Fourteenth Amendment were very closely implicated. In *Wheeling & Lake Erie Railway Co. v. Public Utility Commission of Pennsylvania*, 141 F.3d 88, 93-94 (3d Cir. 1998), the Third Circuit held that the Railroad Revitalization and Regulatory Reform (4-R) Act of 1976, 49 U.S.C. § 11501, was a valid exercise of section 5 enforcement power because it protected railroads against discriminatory taxes levied by state and local authorities in violation of the railroads' equal protection rights. See *id.* at 93. See also *Doe v. University of Illinois*, 138 F.3d 653,

660 (7th Cir. 1998) (upholding abrogation accomplished through enactment of Title IX as designed to protect against invidious discrimination in state-run, federally funded institutions); *Young v. Pennsylvania House of Representatives Republican Caucus*, 994 F. Supp. 282, 287-88 (M.D. Pa. 1998) (upholding abrogation accomplished through ADEA, 29 U.S.C. §§ 621-634, as valid section 5 enforcement of equal protection rights).

In contrast, courts applying *Seminole Tribe* have reacted skeptically, and have invalidated attempted abrogations of Eleventh Amendment immunity, where the right sought to be protected was more a creature of Article I than a traditional substantive guarantee of the Fourteenth Amendment. *See, e.g., Chavez v. Arte Publico Press*, 139 F.3d 504, 508-12 (5th Cir. 1998) (rejecting attempted abrogation of immunity for copyright infringement suits), *pet. for reh'g pending*; *In re Sacred Heart Hospital of Norristown*, 133 F.3d 237, 243-45 (3d Cir. 1998) (rejecting attempted abrogation via the Bankruptcy Code and noting that there is no constitutional right to a bankruptcy discharge) (citing *United States v. Kras*, 409 U.S. 434, 446-47 (1973)); *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 131 F.3d 353 (3d Cir. 1997) (rejecting attempted abrogation of immunity for Lanham Act suits for "false advertising" by a competitor).⁵

5. Florida Prepaid has opposed CSB's petition for a writ of certiorari in the Lanham Act case because the decision of the Third Circuit was a narrowly drawn, clearly correct application of *Seminole Tribe* and orthodox Fourteenth Amendment jurisprudence to a peculiar set of facts. CSB argued that the right to sue a state under the Lanham Act for "false advertising" of the state's own product is a property right that Congress may protect under the Fourteenth Amendment; the Third Circuit properly held that it is not. The Third Circuit also declined to apply the discredited doctrine of *Parden v. Terminal Railway of Alabama Docks Department*, 377 U.S. 184 (1964), to find a "waiver" of immunity, despite CSB's urging. These holdings, which are correct and which impose no burdens on the states, simply do not warrant consideration by this Court, unlike the erroneous decision of the Federal Circuit here, which is fraught with mischievous potential.

Although *Seminole Tribe* acknowledged that the Fourteenth Amendment remains a legitimate source of congressional power to abrogate Eleventh Amendment immunity, *see* 517 U.S. at 59, the decision of the Court of Appeals here simply cannot be reconciled with *Seminole Tribe*'s unequivocal denial of congressional power to abrogate under Article I. It is not enough to declare that patents are "property" and therefore subject to the protections of the Fourteenth Amendment. Such a strictly categorical analysis, which takes no notice of patents' foundation in Article I, fails to respect the constitutionally sanctioned value of state sovereign immunity, fails to weigh Eleventh Amendment interests properly in the context of purported Fourteenth Amendment action, and fails to follow the teachings of *Seminole Tribe*.

Accordingly, the Court should grant certiorari to address this vital issue of constitutional law.

III.

THE DECISION OF THE COURT OF APPEALS CONFLICTS WITH THIS COURT'S DECISION IN *CITY OF BOERNE v. FLORES*, WHICH HELD THAT CONGRESSIONAL POWER TO ENFORCE THE FOURTEENTH AMENDMENT IS REMEDIAL ONLY, NOT SUBSTANTIVE.

Congress's enforcement power under section 5 of the Fourteenth Amendment does not include the authority to create new Fourteenth Amendment rights, nor to expand existing rights. Instead, Congress may act only to provide proportionate remedies for violations of rights set forth in the text of the Fourteenth Amendment as construed by the courts. If Congress goes beyond these limits — if Congress creates new rights or crafts remedies not carefully tailored to the harms addressed — then a statute

purporting to abrogate the Eleventh Amendment cannot be considered an *appropriate*, remedial exercise of Fourteenth Amendment authority. *See generally Oregon v. Mitchell*, 400 U.S. 112, 129 (1970); *Ex Parte Virginia*, 100 U.S. 339, 345-46 (1879).

Fitzpatrick v. Bitzer, 427 U.S. 445 (1976), where this Court first announced the doctrine that Congress may abrogate Eleventh Amendment immunity pursuant to the Fourteenth Amendment, and which was relied upon by the Court of Appeals here, did not directly answer the question of how to identify appropriate Fourteenth Amendment enforcement action. There was no need to do so in that case, because *Fitzpatrick* involved a Title VII claim and therefore a core Fourteenth Amendment concern. *See* 427 U.S. at 453 n.9. The *Fitzpatrick* Court nevertheless emphasized that the purpose of section 5 is to enforce the substantive guarantees of the Fourteenth Amendment by providing remedies for constitutional violations. *See id.* at 453-56.

The Court recently reaffirmed its holding that Congress's power under section 5 of the Fourteenth Amendment is remedial, not substantive, in *City of Boerne v. Flores*, 117 S. Ct. 2157 (1997). "Any suggestion that Congress has a substantive, non-remedial power under the Fourteenth Amendment is not supported by our case law." *Id.* at 2167. Congress may enforce the guarantees of the Fourteenth Amendment as they have been interpreted by the courts, but Congress may not extend or reinterpret those protections:

If Congress could define its own powers by altering the Fourteenth Amendment's meaning, no longer would the Constitution be "superior paramount law, unchangeable by ordinary means." . . . Under this approach, it is difficult to conceive of a principle that would limit congressional power.

Id. at 2167 (quoting *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803)). Congress lacks the authority to craft its own applications of the Due Process Clause, particularly where the resulting remedial scheme imposes "a heavy litigation burden on the States" and "contradicts vital principles necessary to maintain separation of powers and the federal balance." *Id.* at 2171, 2172.

For legislation enacted pursuant to section 5 to qualify as remedial, and hence legitimate, the Court concluded that:

there must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end. Lacking such a connection, legislation may become substantive in operation and effect.

Id. at 2164. The Patent Remedy Act is a clear example of legislation that has crossed the line.⁶

The Court of Appeals purports to apply the test set forth in *City of Boerne*, but the analysis founders. The crucial error committed by the court is its belief, central to its reasoning, that states are just like any other defendants:

There is no sound reason to hold that Congress cannot subject a state to the same civil consequences

6. The Court of Appeals acknowledged that the test derived from *City of Boerne* is controlling:

"While the line between measures that remedy or prevent unconstitutional actions and measures that make a substantive change in the governing law is not easy to discern, and Congress must have wide latitude in determining where it lies, the distinction exists and must be observed."

App. A at 20a (quoting 117 S. Ct. at 2164).

that face a private party infringer. . . . The Act subjects states to no greater burdens than those that must be shouldered by private parties. Therefore, the burden placed upon states by the Patent Remedy Act is not so great as to undermine the congressional abrogation of immunity.

App. A at 25a (emphasis added). In other words, it matters not that states occupy a special place in the structure of our federal system and that a state may now be exposed to protracted litigation in another state, as long as the statutory penalties are made generally applicable to all potential defendants, private and public alike. Even if the holding of the Court of Appeals were not faulty, the court's reasoning alone would be dangerous. Its rejection of Eleventh Amendment principles might be emulated by district courts and thus extended into areas beyond patent law.

In reaching its conclusion, then, the Court of Appeals completely disregards the Eleventh Amendment and the values that it advances. The court overlooks the constitutional axiom that the Eleventh Amendment *itself* is the only "sound reason" needed for not subjecting states to the "same civil consequences that face a private party infringer." Only by starting from the wholly erroneous premise that states are entitled to no special treatment under federal law despite their sovereign status and the Eleventh Amendment, could the Court of Appeals possibly conclude that "the burden that the Patent Remedy Act places on states is slight." App. A at 25a.

Given the fundamentally mistaken perspective of the Court of Appeals regarding the position of the states in our federal system, it is not surprising that its discussion of the "congruence" between harm and remedy and of the propriety of the "means adopted" by Congress to address perceived constitutional violations should

conflict with the teaching of *City of Boerne*. The Court of Appeals describes the means of the Patent Remedy Act as "modest and circumscribed," App. A at 24a, yet admits that they include, among other things, treble damages and attorney's fees. App. A at 25a. No explanation is offered for how awards of treble damages and attorney's fees — harsh remedies normally applied punitively, or when exceptionally strong deterrence is required — can be considered "modest." The Court of Appeals apparently believes that measures which do not directly restrict a state's political acts are, by definition, permissible. See App. A at 24a ("Thus, the Patent Remedy Act will rarely constrict or restrain a state in the performance of its core governmental functions."). It fails to give any weight at all to the core function of the Eleventh Amendment, which is to protect states against awards of money damages. See *Regents of the University of California v. Doe*, 117 S. Ct. 900, 903-04 (1997).

The Court of Appeals also neglects to examine carefully the utility of the principal alternative remedies discussed approvingly by this Court in *Seminole Tribe* and by the Court of Appeals for the Fifth Circuit in *Chavez*: (1) suits for injunctive relief pursuant to *Ex Parte Young*; and (2) suits by the federal government against a state in federal court. See *Seminole Tribe*, 517 U.S. at 71 n.14, 72 n.16; *Chavez*, 139 F.3d at 512. Either of these alternatives to direct actions for patent infringement could ensure a state's compliance with federal law and preserve a patent-holder's property.⁷ It is no answer to say that the relief available under *Ex Parte Young* "falls far short of the protection that Congress has provided." App. A at 23a. The "protection that Congress has provided" is what must be *justified*; it cannot be assumed as the

7. The Court of Appeals is of the view that anything less than the full range of statutory remedies Congress has provided, including monetary compensation for past infringement, is inadequate. See App. A at 23a. Again, such an outlook betrays a lack of regard for the principle of sovereign immunity as expressed in the Eleventh Amendment.

standard by which alternatives are to be judged. The proper goal is not the maximum possible protection for the patent-holder, but rather a narrowly tailored, proportionate remedy that comports with *City of Boerne*. Only then will the legislation respect state sovereignty by not imposing "a heavy litigation burden on the States" or upsetting the "federal balance" between the states and the national government. *City of Boerne*, 117 S. Ct. at 2171, 2172.

In addition, the Court of Appeals improperly derogates state-law remedies that provide due process, avoiding a constitutional violation altogether. Florida permits a claim for the taking of property that is based on alleged patent infringement by the state to proceed in state court.⁸ See *Jacobs Wind Electric Co. v. Florida Department of Transportation*, 626 So. 2d 1333, 1337 (Fla. 1993). Florida also provides the remedy of a claims bill, whereby an aggrieved party who charges deprivation of property by the state may seek relief directly from the state legislature. See Fla. Stat. § 11.065.

The response of the Court of Appeals is to suggest that such state remedies may be "illusory" because they have not yet been formally approved by this Court, see App. A at 14a n.2, and to assert that state provision of due process does not preclude federal remedies because Congress has the power to enact prophylactic measures that ban permissible as well as unconstitutional state action. See App. A at 14a (citing *South Carolina v. Katzenbach*, 383 U.S. 301, 333-34 (1966)). *Katzenbach* and cases like it, however, involved remedies for egregious, systematic,

8. This Court has appellate jurisdiction over the judgments of state courts in such matters, notwithstanding the Eleventh Amendment. See *McKesson Corp. v. Department of Alcoholic Beverages & Tobacco*, 496 U.S. 18 (1990). See also *Seminole Tribe*, 517 U.S. at 71 n.14 (noting that "this Court is empowered to review a question of federal law arising from a state-court decision where a State has consented to suit") (citing *Cohens v. Virginia*, 19 U.S. (6 Wheat.) 264 (1821)).

discriminatory violations of civil rights; the situations clearly called for robust enforcement measures from Congress. Such a forceful approach is not justifiable where the alleged constitutional wrong, if any, is far less significant. Ultimately, the Court of Appeals simply overlooks the fact that *City of Boerne* must still be satisfied: a largely *hypothetical* deprivation of due process cannot support a sweeping, highly burdensome federal remedy by private parties against the states. Congress may enjoy the theoretical authority to redress constitutional injuries that it merely anticipates, but it cannot bring out its biggest stick to do so. Here, the congressionally created remedial scheme is vastly disproportionate to the alleged constitutional wrongs, given that Florida itself already may provide all the process that is due.

In sum, the decision of the Court of Appeals conflicts with *City of Boerne* because it approves a congressional exercise of Fourteenth Amendment power that prescribes an overbroad, highly intrusive, and burdensome "remedy" for an alleged deprivation of due process that has not even been demonstrated. Congress's effort to authorize patent infringement suits against the states in federal court, because it is strikingly disproportionate to the constitutional harm alleged, thus constitutes improper *substantive* action under section 5, which only this Court can correct. Accordingly, the petition for a writ of certiorari should be granted.

IV.

**THE DECISION OF THE COURT OF APPEALS
CONFLICTS WITH THE DECISION OF THE FIFTH
CIRCUIT IN *CHAVEZ v. ARTE PUBLICO PRESS*, WHICH
HELD THAT CONGRESS CANNOT USE ITS
FOURTEENTH AMENDMENT ENFORCEMENT POWER
TO MAKE THE STATES AMENABLE TO SUIT IN
FEDERAL COURT FOR COPYRIGHT INFRINGEMENT.**

In *Chavez v. Arte Publico Press*, 139 F.3d 504, 508-12 (5th Cir. 1998), *pet. for reh'g pending*, the United States Court of Appeals for the Fifth Circuit held that Congress cannot use its enforcement powers under section 5 of the Fourteenth Amendment to make the states amenable to suit in federal court for copyright infringement.⁹ That holding directly conflicts with the holding of the Court of Appeals here. This Court should grant certiorari to review the decision of the Federal Circuit and resolve the dispute between the circuits regarding the same clause of the Constitution.

For purposes of the Eleventh Amendment, there is no basis for distinguishing between suits against the states for patent infringement and suits for copyright infringement. Both patents and copyrights are federally created property interests that owe their existence to a congressional exercise of power under Article I of the Constitution. Indeed, congressional power to protect both

9. Originally, the Fifth Circuit had held that the "constructive waiver" doctrine of *Parden v. Terminal Railway of Alabama Docks Department*, 377 U.S. 184 (1964), permitted a copyright infringement suit against a state in federal court, but this Court vacated that holding and remanded for reconsideration in light of *Seminole Tribe*. See *Chavez v. Arte Publico Press*, 59 F.3d 539, 546-47 (5th Cir. 1995), *vacated & remanded*, 517 U.S. 1184 (1996). On remand, the Fifth Circuit held both that the *Parden* doctrine did not survive *Seminole Tribe* and that the Fourteenth Amendment could not be relied upon to justify suits against the states for copyright infringement.

patents and copyrights flows from the same constitutional provision:

Congress shall have Power . . .

[t]o promote the Progress of Science and useful Arts,
by securing for limited Times to Authors and
Inventors the exclusive Right to their respective
Writings and Discoveries[.]

U.S. Const., art. I, § 8, cl. 8. Just as this Court in *Seminole Tribe* found no reason to distinguish between the authority to abrogate sovereign immunity conferred by the Indian Commerce Clause and that conferred by the Interstate Commerce Clause, see 517 U.S. at 63, any power that Congress may enjoy under Article I, section 8, clause 8, whether directly or through the Fourteenth Amendment's enforcement mechanism, must be identical with respect to both patents and copyrights. Indeed, although the Court of Appeals explicitly disagreed with the *Chavez* decision, it made no attempt to *distinguish* the case. See App. A at 16a-18a.

In *Chavez*, the Fifth Circuit held unconstitutional the Copyright Remedy Clarification Act, Pub. L. No. 101-553, 104 Stat. 2749 (1990) (codified at 17 U.S.C. §§ 501(a), 511), insofar as the statute purported to make states and state instrumentalities subject to copyright infringement suits in federal court. Chavez argued that the University of Houston, an instrumentality of the state of Texas, had deprived her of property without due process by infringing a copyright she held in a book that the university press published without her consent. Disagreeing, the Fifth Circuit observed that "[c]opyrights are indeed a species of property, but the extent to which they are protectable against the states raises troubling issues." 139 F.3d at 509. The court stated:

the contention that a copyright infringement claim is property protected by the Due Process Clause . . . proves too much. If it rests on the uniqueness of the property interest created by federal law, which is the source of Chavez's copyright, then it is a direct end-run around *Seminole*'s holding that Article I powers may not be employed to avoid the Eleventh Amendment's limit on the federal judicial power. Congress could easily legislate "property" interests and then attempt to subject states to suit in federal court for the violation of such interests. This end-run is just as possible under a liberal interpretation of the Due Process Clause of the Fourteenth Amendment as it was under theories of Article I rejected by the Court in *Seminole*.

Id. at 510-11.

The Fifth Circuit noted that its decision was "consistent with the trend of post-*Seminole* decisions." *Id.* at 511 (citing cases). In particular, the court discussed approvingly the reasoning of the Fourth Circuit in *In re Creative Goldsmiths of Washington, D.C., Inc.*, 119 F.3d 1140 (4th Cir. 1997), which held that section 5 did not authorize Congress to abrogate Eleventh Amendment immunity in bankruptcy actions:

[R]eliance on § 5 on the Fourteenth Amendment as a post hoc justification for Congress's attempted abrogation in 11 U.S.C. § 106 would require us to ignore the result in *Seminole*. . . . If the Fourteenth Amendment is held to apply so broadly as to justify Congress' enactment of the Bankruptcy Code as a requirement of due process, then the same argument would justify every federal enforcement scheme as

a requirement of due process under the Fourteenth Amendment.

Chavez, 139 F.3d at 511-12 (quoting 119 F.3d at 1146-47).¹⁰

In sharp contrast, the Court of Appeals in the instant case criticizes the *Chavez* decision for supposedly

ignor[ing] the essential fact that, because the Fourteenth Amendment was enacted subsequent to the Eleventh Amendment, unlike Article I, it expressly qualified the principle of sovereign immunity.

App. A at 17a. According to the Federal Circuit:

Our sister circuits wrongly equate the result afforded by congressional power under the Fourteenth Amendment and Article I with the constitutional structure under which Congress governs and the federal courts exercise jurisdiction. When the states adopted the Fourteenth Amendment and consented to cede a portion of their authority to the federal government, it was within their contemplation that they limited their Eleventh Amendment immunity. . . . Although there may be some property

10. The Fifth Circuit also declared "overblown" the fear that the plaintiff would lack a remedy if she could not sue for copyright infringement in federal court. Actually, the court asserted, "only retrospective money damages are unavailable." Several possible alternatives exist: (1) suits for prospective injunctive relief pursuant to the doctrine of *Ex Parte Young*, 209 U.S. 123 (1908); (2) suits on copyright contracts in state courts; (3) suits by the federal government against an infringing state in federal court; (4) congressional conferral of concurrent jurisdiction on state courts to hear suits for infringement. See 139 F.3d at 512.

interests that are not protected by the Fourteenth Amendment, and discriminating between property interests that are protectable under the Fourteenth Amendment and those that are not may prove a difficult task, such central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states.

Id.

Whatever the utility of the suggestion by the Court of Appeals that the Fourteenth Amendment protects "central and historic fixtures in the realm of property," this notion surely can supply no justification for distinguishing between patents and copyrights. Judging from its opinion, the Court of Appeals does not appear to believe that it does. In the view of the Federal Circuit, the Fifth Circuit's decision is not about something different; it is simply wrong.

The holdings of the Federal Circuit and the Fifth Circuit are thus starkly opposed. They are in direct conflict on the decisive question of congressional power to use the Fourteenth Amendment to protect patents and copyrights created by Congress pursuant to Article I.¹¹ They also differ markedly in their views of the limits placed on congressional abrogation authority by this Court's decision in *Seminole Tribe*. This Court should therefore grant certiorari here to resolve the conflict and define the scope of Congress's power to use the Fourteenth Amendment as a replacement for Article I.

11. Because the Federal Circuit has exclusive jurisdiction over appeals in patent infringement actions, a "patent vs. copyright" conflict is perhaps the only type of intercircuit conflict that could arise to justify review by this Court of a patent law holding from the Federal Circuit.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

**APPENDIX A — OPINION OF THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT IN
COLLEGE SAVINGS BANK v. FLORIDA PREPAID
POSTSECONDARY EDUCATION EXPENSE BOARD
(FED. CIR. JUNE 30, 1998)**

**United States Court of Appeals
for the Federal Circuit**

97-1246

COLLEGE SAVINGS BANK,

Plaintiff-Appellee,

and

THE UNITED STATES,

Plaintiff-Appellee,

v.

FLORIDA PREPAID POST-SECONDARY
EDUCATION EXPENSE BOARD,

Defendant-Appellant.

DECIDED: June 30, 1998

Before CLEVINGER, RADER, and BRYSON, *Circuit
Judges.*

CLEVINGER, *Circuit Judge.*

This case requires us to determine whether the Eleventh Amendment bars a federal suit for patent infringement against a nonconsenting state. The district court held that it did not and denied Florida Prepaid Postsecondary Education Expense Board's (Florida Prepaid's) motion to dismiss for lack of subject matter jurisdiction. Because Congress clearly expressed its intent to abrogate state sovereign immunity for patent infringement suits brought in federal courts, and because

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Congress abrogated state immunity pursuant to a valid exercise of power, we affirm the district court's decision denying Florida Prepaid's motion to dismiss. Consequently, we do not reach College Savings Bank's (College Savings') arguments that Florida Prepaid waived its sovereign immunity either by participating in the patent system or by failing to raise the sovereign immunity defense earlier in the litigation.

Appealed from: United States District Court for the District of New Jersey

Judge Garrett E. Brown, Jr.

I.

Procedural Posture

College Savings is a New Jersey chartered savings bank located in Princeton, New Jersey. Since 1987, College Savings has sold a certificate of deposit contract known as the CollegeSure[®] CD. The purpose of the CollegeSure[®] CD is to help individuals save money for the cost of college education expenses. College Savings guarantees returns sufficient to fund the uncertain future cost of education. The CollegeSure[®] CD is administered using an apparatus and methods disclosed in College Savings' U.S. Patent No. 4,722,055. Florida Prepaid, a body corporate of the State of Florida, administers a similar investment program aimed at aiding individuals in funding the cost of Florida public colleges and universities.¹ See Fla. Stat. § 240.551(1), (3). College Savings claims that,

¹ The district court concluded that, for purposes of immunity from suit, Florida Prepaid was an arm of the State of Florida. See *Edelman v. Jordan*, 415 U.S. 651, 663 (1974). We agree with the district court, and the parties have not contested this conclusion.

Appendix A

in the course of administering its investment program, Florida Prepaid has directly and indirectly infringed College Savings' patent.

On November 7, 1994, College Savings brought an infringement action against Florida Prepaid in the United States District Court for the District of New Jersey pursuant to the Patent and Plant Variety Protection Remedy Clarification Act (Patent Remedy Act), § 2, 35 U.S.C. §§ 271 (h), 296 (1994), which explicitly provides that states may be sued for patent infringement in the federal courts. *Pendente lite*, the Supreme Court handed down its decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), which overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), and held that Congress could not abrogate the sovereign immunity of the states when acting pursuant to its plenary power to regulate commerce under Article I of the Constitution. See *Seminole Tribe*, 517 U.S. at 72-73. In light of the Court's ruling in *Seminole Tribe*, Florida Prepaid moved to dismiss College Savings' claim as barred by the Eleventh Amendment. Florida Prepaid argued that the Patent Remedy Act was an unconstitutional attempt by Congress to use its Article I powers under the Patent Clause, U.S. Const. art. 1, § 8, cl. 8, to abrogate state sovereign immunity and to enlarge the federal courts' Article III jurisdiction, which *Seminole Tribe* proscribed. College Savings objected, contending that, in enacting the Patent Remedy Act, Congress was acting pursuant to its enforcement power under section 5 of the Fourteenth Amendment, see *Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976). The use of this power was not only unaffected but was also expressly sanctioned by the Supreme Court's opinion in *Seminole Tribe*, claimed College Savings. See 517 U.S. at 71-72n.15 ("[M]any of those cases arose in the context of a statute passed under the Fourteenth Amendment, where

Appendix A

Congress' authority to abrogate is undisputed."). The United States intervened as of right under 28 U.S.C. § 2403(a) (1994) to defend the constitutionality of the Patent Remedy Act.

The district court denied Florida Prepaid's motion to dismiss, because it concluded that Congress had unambiguously abrogated the states' sovereign immunity in the Patent Remedy Act and had acted pursuant to a valid exercise of power under the Fourteenth Amendment. Florida Prepaid took this appeal over which we have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (1994). *See Puerto Rico Aqueduct & Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 147 (1993) (holding that, pursuant to the collateral order doctrine and 28 U.S.C. § 1291, a state may appeal from a district court order denying it Eleventh Amendment immunity); *see also Swint v. Chambers County Comm'n*, 514 U.S. 35, 41-42 (1995) ("The collateral order doctrine is best but as a practical understood not as an exception to the final decision rule..... but as a practical construction of it.") (quoting *Digital Equip. Corp. v. Desktop Direct, Inc.*, 511 U.S. 863, 867 (1994)) (internal quotation marks omitted).

II

The Eleventh Amendment

We follow the regional circuit's standard of review regarding issues not pertaining to patent law. *See, e.g., Molins PLC v. Quigg*, 837 F.2d 1064, 1066. 5 USPQ2d 1526, 1527 (Fed. Cir. 1988). Under the law of the Third Circuit, the regional circuit encompassing New Jersey, our review of a dismissal on sovereign immunity grounds is plenary. *See Blanciak V. Allegheny Ludlum Corp.*, 77 F.3d 690, 699 (3d Cir. 1996).

Appendix A

The Eleventh Amendment provides: "The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." U.S. Const. amend. XI. The Eleventh Amendment confirms that "each State is a sovereign entity in our federal system" and that "it is inherent in the nature of sovereignty not to be amenable to the suit of an individual without its consent." *Seminole Tribe*, 517 U.S. at 54 (quoting *The Federalist No. 81*, at 487 (Alexander Hamilton) (Clinton Rossiter ed., 1961)). This immunity is not absolute, however, as Congress, in limited circumstances, is empowered to abrogate it. *See Fitzpatrick*, 427 U.S. at 456.

Determining whether Congress has abrogated the states' constitutionally secured immunity from suit in federal court is a two-step inquiry. The first step is to discern whether Congress has unequivocally expressed its intent to abrogate immunity. *See Seminole Tribe*, 517 U.S. at 55. The second step is to examine whether, in purporting to abrogate immunity, Congress overstepped its constitutional authority. *See id.* We dispense swiftly with the first step of the inquiry before turning our attention to the second, more arduous step.

III

Intent to Abrogate

Given the importance to our constitutional structure of the Eleventh Amendment's grant of sovereign immunity, a court will not assume that Congress has intended to use its awesome power to abrogate this immunity absent "unmistakably clear" statutory language to that effect.

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Dellmuth v. Muth, 491 U.S. 223, 227-28, 230 (1989) ("[E]vidence of congressional intent [to abrogate state sovereign immunity] must be both unequivocal and textual."); see *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 242-43 (1985). There is no dispute that the Patent Remedy Act is replete with language sufficient to satisfy this requirement. See 35 U.S.C. §§ 271(h), 296 (1994). Before passage of the Patent Remedy Act, Title 35 stated only that "whoever" without authority made, used, or sold a patented invention infringed the patent. See 35 U.S.C. § 271 (a) (1 988). After the Supreme Court's decision in *Atascadero*, which affirmed that "Congress may abrogate the States' constitutionally secured immunity from suit in federal court only by making its intention unmistakably clear in the language of the statute," 473 U.S. at 242, this court held that the Patent Act contained no such unequivocal statement of intent to abrogate, see *Jacobs Wind Elec. Co. v. Florida Dep't of Transp.*, 919 F.2d 726, 728, 16 USPQ2d 1972, 1973 (Fed. Cir. 1990); see also *Chew v. California*, 893 F.2d 331, 334, 13 USPQ2d 1393, 1396 (Fed. Cir. 1990).

In response to our decisions in *Jacobs Wind* and *Chew*, Congress amended the patent laws to express unambiguously its intent to abrogate the sovereign immunity of the states. See 35 U.S.C. §§ 271(h), 296 (1994); see also 137 Cong. Rec. S4046-48 (daily ed. Mar. 21, 1991) (statement of Sen. DeConcini) (noting that S. 758 was necessary in light of *Jacobs Wind* and *Chew*). Section 271 (h) now states: "As used in this section, the term 'whoever' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity." Section 296 addresses the sovereign immunity issue even more specifically. It provides:

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Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person . . . for infringement of a patent under section 271, or for any other violation under this title.

35 U.S.C. § 296(a) (1994).

We agree with the parties that, with this statutory language, Congress expressed quite pellucidly its intent to abrogate the states' immunity from federal suit for patent infringement. Therefore, the first step of the abrogation inquiry is plainly satisfied.

IV

Power to Abrogate

Our conclusion that Congress expressed a clear intent to abrogate the states' sovereign immunity leads us to the next step in our inquiry, which is whether Congress acted pursuant to a constitutional grant of power. The power of Congress to abrogate the states' immunity from suit in federal court has been found in only two provisions of the United States Constitution: the Interstate Commerce Clause, U.S. Const. art. 1, § 8, cl. 3, see *Union Gas*, 491 U.S. 1, 13-23 (1989), overruled by *Seminole Tribe*, 517 U.S. at 66, and the Fourteenth Amendment, see *Fitzpatrick*, 427 U.S. at 455-56. In *Seminole Tribe*, however, the Supreme Court held that Congress' vast power to regulate interstate commerce was nevertheless subordinate to the protection from federal suits by private litigants granted to the states by the Eleventh Amendment. See 517 U.S. at 72-73. In

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the wake of *Seminole Tribe*, then, the solitary legislative tool that the Supreme Court has recognized for abrogating the sovereign immunity of the states is Congress' power to enforce the substantive provisions of the Fourteenth Amendment. See U.S. Const. amend. XIV, § 5.

The Senate and House committee reports expressly invoked the Fourteenth Amendment as authority for enacting the Patent Remedy Act. See S. Rep. No. 102280, at 8 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3094 ("[T]he bill is justified as an acceptable method of enforcing the provisions of the fourteenth amendment."); H. R. Rep. No. 101-960, at 40 (1990). Notwithstanding this invocation of power, we must still examine the legitimacy of the congressional action. See *Woods v. Cloyd W. Miller Co.*, 333 U.S. 138, 144 (1948) ("The question of the constitutionality of action taken by Congress does not depend on recitals of the power which it undertakes to exercise.").

The Fourteenth Amendment is a clear limitation on the authority of the states. See *Fitzpatrick*, 427 U.S. at 453-56. By expanding the federal power at the expense of state autonomy, the Fourteenth Amendment "fundamentally altered the balance of state and federal power struck by the Constitution." *Seminole Tribe*, 517 U.S. at 59 (citing *Fitzpatrick* 427 U.S. at 455). Section 1 of the amendment provides:

No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

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Standing behind the imperative of section 1 is section 5, which grants to Congress the power to enforce the prohibitions of section 1 "by appropriate legislation."

The enforcement provision of the Fourteenth Amendment is far from unique in the constitutional scheme. Virtually identical provisions appear in the Thirteenth, Fifteenth, Nineteenth, Twenty-third, Twenty-fourth, and Twenty-sixth Amendments. In determining whether legislation enacted by Congress is an appropriate use of Congress' enforcement power, the Supreme Court has stated that Congress may use any rational means to effectuate the substantive provisions of the Amendments. See *South Carolina v. Katzenbach*, 383 U.S. 301, 324 (1966) (addressing the power of Congress under section 2 of the Fifteenth Amendment). To give meaning to this so-called rational relationship test, the Supreme Court has looked repeatedly to Chief Justice Marshall's classic formulation concerning the express powers of Congress, which was set forth many years before the enactment of the Civil War Amendments: "Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the constitution, are constitutional. *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 421 (1819); see *City of Boerne v. Flores*, 117 S. Ct. 2157, 2163 (1997) (stating that, with regard to Congress' enforcement power under the Fourteenth Amendment: "'Whatever legislation is appropriate, that is adapted to carry out the objects the amendments have in view, whatever tends to enforce submission to the prohibitions they contain . . . if not prohibited, is brought within the domain of congressional power'" (quoting *Ex parte Virginia*, 100 U.S. 339, 345-46 (1879))); *South Carolina v. Katzenbach*, 383 U.S. at 326.

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Therefore, we are obliged to consider whether the objective of the legislation is constitutionally legitimate and whether the means crafted by Congress are plainly adapted to achieving this objective.

A. *Objective of the Patent Remedy Act*

Florida Prepaid first asserts that the goal of the Patent Remedy Act, which is to prevent states from infringing patents or obliging them to compensate the patent owner when they do, is not a legitimate objective under the Fourteenth Amendment. This is so, we understand Florida Prepaid to say, because the amendment was adopted to remedy racial discrimination, and according to Florida Prepaid, the authority of Congress under section 5 of the Fourteenth Amendment is narrowly confined to statutes that promote enforcement of the Equal Protection Clause against discrimination.

Undeniably, the Civil War Amendments were adopted to thwart state-sponsored racial discrimination. See *The Slaughter House Cases*, 83 U.S. (16 Wall.) 36, 71-72 (1872) ("[N]o one can fail to be impressed with the one pervading purpose found in [the Civil War Amendments], lying at the foundation of each, and without which none of them would have been even suggested; we mean the freedom of the slave race, the security and firm establishment of that freedom, and the protection of the newly-made freeman and citizen from the oppressions of those who had formerly exercised unlimited dominion over him."). However, in enforcing the Equal Protection Clause of the Fourteenth Amendment, the Supreme Court has broadened the protections conferred beyond just prohibiting racial discrimination. For example, the clause has been held to prohibit unjustified discrimination on the basis of gender. see *United States v. Virginia*, 518 U.S. 515, 534

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(1996), alienage, see *Truax v. Raich*, 239 U.S. 33, 39 (1915), parentage, see *Glon v. American Guarantee & Liability Ins. Co.*, 391 U.S. 73, 76 (1968), criminal conviction, see *Rinaldi v. Yeager*, 384 U.S. 305, 308-09 (1966), and type of business, see *Atchison, Topeka & Santa Fe Ry. v. Vosburg*, 238 U.S. 56, 62 (1915). Consequently, the meaning of the Equal Protection Clause of the Fourteenth Amendment cannot be limited to the particular ill - racial discrimination - that Congress, at the time of the enactment of the Civil War Amendments, intended to redress.

Equally undeniably, the Supreme Court has enforced the Due Process Clause of the Fourteenth Amendment against the states and has read it expansively to prohibit state actions wholly unrelated to discrimination of any sort. See, e.g., *Barry v. Barchi*, 443 U.S. 55, 64 (1979) (horse trainer's license protected); *Memphis Light, Gas & Water Div. v. Craft*, 436 U.S. 1, 9-12 (1978) (protecting utility service); *Goldberg v. Kelly*, 397 U.S. 254, 264 (1970) (protecting recipients of public assistance from a cessation of benefits without a pre-termination hearing). Florida Prepaid cites no authority forbidding Congress from enacting statutes that abrogate state in order to protect persons from property deprivations without due process of law. Surely the enforcement power of Congress under section 5 must embrace the full range of behavior that the Supreme Court has held to violate the substantive provisions in section 1 of the Amendment. See *Civ. of Boerne*, 117 S. Ct. at 2163 ("The 'provisions of this article,' to which § 5 refers, include the Due Process Clause of the Fourteenth Amendment."). We therefore reject the proposition that congressional authority under section 5 is restricted to only a certain provision of the

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Fourteenth Amendment, namely the Equal Protection Clause.

Protecting a privately-held patent from infringement by a state is certainly a legitimate congressional objective under the Fourteenth Amendment, which as noted above, empowers Congress to prevent state-sponsored deprivation of private property. It is, of course, beyond cavil that the patent owned by College Savings is property. See *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415, 64 USPQ2d 18, 31-32 (1945) ("That a patent is property, protected against appropriation both by individuals and government, has long been settled."); *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) ("A patent for an invention is as much property as a patent for land."); *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599, 225 USPQ 243, 246 ("It is beyond reasonable debate that patents are property."), *modified in other respects*, 771 F.2d 480, 226 USPQ 985 (Fed. Cir. 1985); *see also* 35 U.S.C. § 261 (1994) ("[P]atents shall have the attributes of personal property."). This is so because, at bottom, a patent is but the right to exclude others from making, using, or selling an invention, *see McQuewan*, 55 U.S. (14 How.) 539, 549 (1852) 35 U.S.C. § 271 (1994); *Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549 (1852) ("The franchise which the patent grants, consists altogether in the right to exclude every one from making, using, or vending the thing patented, without the permission of the patentee."), and the right to exclude others is established as among the "most essential sticks in the bundle of rights that are commonly characterized as property," *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979); *see Schenck v. Nortron Corp.*, 713 F.2d 782, 786 n.3, 218 USPQ 698, 701 n.3 (Fed. Cir. 1983) ("The patent right is but the right to exclude others, the very definition of; 'property.'").

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Indeed, the United States' "unlicensed use of a patented invention is properly viewed as a taking of property under the Fifth Amendment." *Hughes Aircraft Co. v. United States*, 86 F.3d 1566, 1571, 39 USPQ2d 1065, 1068 (Fed. Cir. 1996), *vacated on other grounds*, 117 S. Ct. 1466 (1997). In subjecting the states to suit in federal court for patent infringement, Congress sought to prevent states from depriving, patent owners of their property without due process through infringing acts, an objective that comports with the text and judicial interpretations of the Fourteenth Amendment. The Constitution itself, by recognizing the importance of securing the rights of inventors to their inventions, *see* U.S. Const. art. 1, § 8, signals a reason for Congress to secure patent property from risk of deprivation.

In support of its contention that the objective of the Patent Remedy Act is not permissible under the Fourteenth Amendment, Florida Prepaid argues that, even if it has deprived College Savings of its property, it has not done so without providing due process. As a result, no constitutional violation occurred. Absent a constitutional violation, Florida Prepaid continues, Congress is without power to abrogate under the Fourteenth Amendment. This argument, although beguiling, must fail. It is true that

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College Savings could have sought relief in the Florida Legislature through a claims bill, *see* Fla. Stat. § 11.065², and that this avenue of relief most likely provides sufficient process to preclude a violation of the Fourteenth Amendment. However, as the Supreme Court instructed in *South Carolina v. Katzenbach*, Congress may forbid even state conduct that is not unconstitutional so long as the legislation is aimed at preventing a violation. *See* 383 U.S. at 333-34 (upholding legislation banning literacy tests and similar voting requirements despite the facial constitutionality of the measures, because Congress was responding to prior discriminatory application of such measures); *Katzenbach v. Morgan*, 384 U.S. 641, 658 (1966). Therefore, "[l]egislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional." *City of Boerne*, 117 S. Ct. at 2163.

Under Florida Prepaid's interpretation, abrogation of a state's immunity from suit under the Patent Remedy Act would apply only to those states that fail to provide a remedy for compensation for patent infringement by the

² Florida Prepaid also asserts that College Savings could have brought a takings claim in Florida State Court. Although the Supreme Court of the State of Florida has allowed a takings claim premised on a patent infringement theory to proceed in state court, *see Jacobs Wind Elec. Co. v. Florida Dep't of Transp.*, 626 So.2d 1333, 1337 (Fla. 1993), and we have opined in dicta that such a claim could be brought in state court, *see Jacobs Wind*, 919 F.2d at 728, 16 USPQ2d at 1974, such process may be illusory. The Supreme Court has not indicated whether a takings claim based on patent infringement is cognizable in state courts in light of the fact that Congress has declared that claims arising under federal patent law are within the exclusive province of the federal courts. *See* 28 U.S.C. § 1338(a) (1994)..

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state, or that provide a remedy of such inconsequence as to be illusory. This interpretation imputes to Congress an intent to overlook the enforcement of federal patent rights on a piecemeal, state-by-state basis and to deny Congress the authority to subject all states to suit for patent infringement in the federal courts, regardless of the extent of procedural due process that may exist at any particular time. We do not read the precedent to permit abrogation of the state's immunity only in those instances in which a state provides no due process in its own courts to redress the alleged misconduct. We also do not read the precedent to require Congress to customize statutes enacted under the Fourteenth Amendment to take account of such variations as may exist among the states in remedies offered for alleged infringement of patents. In sum, the fact that Florida may today have some process available to a patentee asserting infringement by the state does not preclude Congress from exercising its powers under the Fourteenth Amendment through the Patent Remedy Act.

Florida Prepaid next argues that the objective of the Patent Remedy Act is impermissible because, if we were to allow it, Congress would be able to abrogate state sovereign immunity pursuant to its Article I power, which is the exact result that the Supreme Court proscribed in *Seminole Tribe*, *See* 517 U.S. at 72-73. This is because the "property" protected by Congress under the Fourteenth Amendment, in this case a patent, is federally created property under Title 35 of the U.S. Code. *See* 35 U.S.C. § 101 et seq. (1994). Florida Prepaid asserts that, just as Congress created the patent system, it could ostensibly choose to create any sort of property using its Article I powers, and then, argues Florida Prepaid, abrogate the states' immunity to suit for the deprivation of that property. Surely, urges Florida Prepaid, Congress cannot accomplish indirectly through the

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Fourteenth Amendment precisely what it is forbidden from doing directly through Article 1.

This argument has, in fact, met with some acceptance among our sister circuits. See *Chavez v. Arte Publico Press*, 139 F.3d 504, 510-11, 46 USPQ2d 1541, 1546 (5th Cir. 1998) (holding that Congress could not abrogate a state's immunity to suit for copyright infringement through the Due Process Clause of the Fourteenth Amendment because "it [would be] a direct end-run around Seminole's holding that Article I powers may not be employed to avoid the Eleventh Amendment's limit on the federal judicial power. Congress could easily legislate 'property' interests and then attempt to subject states to suit in federal court for the violation of such interests."); *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 131 F.3d 353, 361, 45 USPQ2d 1001, 1007 (3d Cir. 1997) (stating that the right to be free of unfair competition under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1994), does not implicate a property right under the Fourteenth Amendment and noting: "If a state's conduct impacting on a business always implicated the Fourteenth Amendment, Congress would have almost unrestricted power to subject states to suit through the exercise of its abrogation power. Congress could pass any law that tangentially affected the ability of businesses to operate and then create causes of action against the states in federal court if they infringed on those federally created rights."); cf. *In re Creative Goldsmiths, Inc.*, 119 F.3d 1140, 1146-47 (4th Cir. 1997) (holding that Congress could not validly abrogate state sovereign immunity under the Bankruptcy Code because "[i]f the Fourteenth Amendment is held to apply so broadly as to justify Congress' enactment of the Bankruptcy Code as a requirement of due process, then the same argument would justify every federal

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enforcement scheme as a requirement of due process under the Fourteenth Amendment"), *cert. denied*, 118 S. Ct. 1517 (1998).

These cases miss the mark, however, because they ignore the essential fact that, because the Fourteenth Amendment was enacted subsequent to the Eleventh Amendment, unlike Article 1, it expressly qualified the principle of sovereign immunity. See *Union Gas*, 491 U.S. at 41-42 (Scalia, J., dissenting) ("The Eleventh Amendment, and the principle of state sovereignty which it embodies, are necessarily limited' by the [Fourteenth Amendment]." (citations omitted) (quoting *Fitzpatrick*, 427 U.S. at 456)). Our sister circuits wrongly equate the result afforded by congressional power under the Fourteenth Amendment and Article I with the constitutional structure under which Congress governs and the federal courts exercise jurisdiction. When the states adopted the Fourteenth Amendment and consented to cede a portion of their authority to the federal government, it was within their contemplation that they limited their Eleventh Amendment immunity. *Fitzpatrick* teaches so, and we adhere to its reasoning. See 427 U.S. at 453-54.

Although there may be some property interests that are not protected by the Fourteenth Amendment, see, e.g. *Paul v. Davis*, 424 U.S. 693, 712 (1976) (holding Fourteenth Amendment, does not secure to persons the right to prevent disclosure of their arrest), and discriminating between property interests that are protectable under the Fourteenth Amendment and those that are not may prove a difficult task, such central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states. Unlike many forms of property only recently recognized, patents were certainly considered

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property at the time of the adoption of the Fourteenth Amendment in 1868. See *Brown v. Duchesne*, 60 U.S. (9 How.) 183, 197 (1856) ("For, by the laws of the United States, the rights of a party under a patent are his private property."). To claim that patents do not warrant protection is tantamount to asserting that Congress may not, under any circumstance, abrogate the states' Eleventh Amendment immunity pursuant to the Due Process Clause when seeking to protect persons from the risk of unlawful deprivation of their property. Such would, in our view, amount to a direct contradiction of the text of the Fourteenth Amendment and its application by the Supreme Court.

If the reasoning of *Fitzpatrick* is to retain vitality, it must be that protecting a well-established property interest such as a patent is a permissible objective under the Fourteenth Amendment. See 427 U.S. at 456 ("We think that Congress may, in determining what is 'appropriate legislation' for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts."). We therefore conclude that the first part of Chief Justice Marshall's formulation of the test to identify "appropriate legislation" under the Fourteenth Amendment is met. See *McCulloch v. Maryland*, 17 U.S. at 421. The objective of the Patent Remedy Act, which is to protect privately-held patent property from deprivation by states, is constitutionally legitimate.

B. Congruence between Means and Potential Harm

Florida Prepaid also suggests that, even if the Patent Remedy Act's objective is constitutionally legitimate, the means by which Congress sought to protect the patent right are out of proportion to the harm that the Patent Remedy

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Act endeavors to prevent, or in the words of Chief Justice Marshall, the means are not "plainly adapted" to the constitutional end and thus wither under constitutional scrutiny. Florida Prepaid reminds us that "[a]s broad as the congressional enforcement power is, it is not unlimited." *Oregon v. Mitchell*, 400 U.S. 112, 128 (1970) (opinion of Black, J.).

The Supreme Court's decision in *City of Boerne* guides our analysis as we attempt to discern whether the Patent Remedy Act is an appropriate means through which Congress exercised its power to enforce the substantive guarantees of the Fourteenth Amendment. That case challenged the Religious Freedom Restoration Act (RFRA) as an unconstitutional extension of Congress' power to enforce the substantive provisions of the Fourteenth Amendment. See 117 S. Ct. at 2160. Through RFRA, Congress sought to circumvent the Supreme Court's ruling in *Employment Division, Department of Human Resources of Oregon v. Smith*, 494 U.S. 872 (1990), which eschewed the "compelling state interest" test of *Sherbert v. Verner*, 374 U.S. 398 (1963), for neutral, generally applicable laws that might incidentally burden a religious practice. See *City of Boerne*, 117 S. Ct. at 2160-61. Congress, through RFRA, reinstated the compelling state interest test, which required that a state show a compelling interest when enacting laws that, although facially neutral in their treatment of religion, imposed a substantial burden on religious exercise. See 42 U.S.C. §2000bb-1 (1994). In *City of Boerne*, the Court, noting that Congress' enforcement power did not extend to include the "power to decree the substance of the Fourteenth Amendment's restrictions on the States," *id.* at 2164, declared RFRA an unconstitutional attempt by Congress to legislate the substance of the Fourteenth Amendment, see *id.* at 2172.

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The Court admitted: "While the line between measures that remedy or prevent unconstitutional actions and measures that make a substantive change in the governing law is not easy to discern, and Congress must have wide latitude in determining where it lies, the distinction exists and must be observed." *Id.* at 2164.

As an aid in distinguishing between provisions that remedy or prevent unconstitutional actions and those that change the substance of the Fourteenth Amendment, the Court offered the following observation: "There must be a proportionality between the injury to be prevented or remedied and the means adopted to that end. Lacking such a connection, legislation may become substantive in operation and effect." *Id.*

1. *Injury to be prevented*

In *City of Boerne*, because no evidence was before Congress reflecting examples of modern instances of generally applicable laws passed because of religious bigotry, the Supreme Court inferred that the injury to be prevented or remedied by RFRA was slight. *See id.* at 2169. In contrast, the Court noted that, in *South Carolina v. Katzenbach*, which upheld various provisions of the Voting Rights Act of 1965, the congressional action was "necessary to 'banish the blight of racial discrimination in voting, which has infected the electoral process in parts of our country for nearly a century.'" *City of Boerne*, 117 S. Ct. at 2167 (quoting *South Carolina v. Katzenbach*, 383 U.S. at 308). The remedies provided by the Voting Rights Act were deemed necessary given the tenacious pervasiveness of discrimination in state electoral processes. *See id.*

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Florida Prepaid argues that, as with the absence of injury in *City of Boerne*, Congress was confronted with no evidence of widespread patent infringement by the states, and that absent this factual predicate, abrogating state sovereign immunity was impermissible. The legislative record of the Patent Remedy Act contains indications that the extent of previous patent infringement by states had not yet risen to emergency levels. *See Patent Remedy Clarification Act: Hearings on H.R. 3886 Before the Subcomm. on Courts, Intellectual Property, and the Admin. of Justice of the House of Representatives Comm. on the Judiciary*, 101st Cong. 22 (1990) (statement of Rep. Kastenmeier) ("We do not have any evidence of massive or widespread violation of patent laws by the States either with or without this immunity.") [hereinafter *Hearings*]. Nonetheless, the same record discloses significant instances of alleged patent infringement by states or state entities. *See id.* at 10-11, 30-31, 51 (prepared statements of Jeffrey M. Samuels, Acting Commissioner of Patents and Trademarks, United States Department of Commerce; Robert P. Merges, Associate Professor of Law, Boston University School of Law; and William S. Thompson, President, American Intellectual Property Law Association); *see also Jacobs Wind*, 919 F.2d at 728, 16 USPQ2d at 1973 (affirming the dismissal of an infringement claim against the state as barred by the Eleventh Amendment because Congress failed to enunciate clearly in the text of the patent laws that it intended to abrogate the sovereign immunity of states); *Chew*, 893 F.2d at 332-33, 13 USPQ2d at 1394 (same), *Watts v. University of Del.*, 622 F.2d 47, 53, 206 USPQ 106, 112 (3d Cir. 1980) (involving an infringement action against an arm of the State of Delaware); *Lemelson v. Ampex Corp.*, 372 F. Supp. 708, 711-12, 181 USPQ 313, 314-15 (N.D. 111. 1974) (denying a motion to dismiss a

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claim against a state for contributory infringement, because the state had waived its immunity under *Parden v. Terminal Railway*, 377 U.S. 184 (1964)); *Hercules. Inc. v. Minnesota State Highway Dep't.*, 337 F. Supp. 795, 798, 172 USPQ 644, 647 (D. Minn. 1972) (concluding that injunctive relief under *Ex parte Young*, 209 U.S. 123 (1908), but not monetary relief under Title 35, was available to a patentee for alleged infringement by a state); *William C. Popper & Co v. Pennsylvania Liquor Control Bd.*, 16 F. Supp. 762, 763 (E.D. Pa. 1936) (dismissing an infringement claim as barred by the Eleventh Amendment); *Automobile Abstract & Title Co. v. Haggerty*, 46 F.2d 86, 87-88 (E.D. Mich. 1931) (same); *Warren Bros. Co. v. Kibbe*, 43 F.2d 582, 584 (D. Ore. 1925) (holding that a state had waived its immunity to suit for patent infringement by agreeing to indemnify contractors for royalties owed due to their infringement of patents for paving materials); cf. *May v. Board of Comm'rs*, 30 F. 250, 261 (C.C.N.D. Ohio 1887) (holding that Ohio counties could be sued for patent infringement). In addition, the legislative history reflects the recognition that, as commercialization of basic research continues, particularly in the biotechnology field, state universities are becoming increasingly more active in the commerce of intellectual property, and, naturally, an increase in the number of patent suits against the states likely will ensue. See 137 Cong. Rec. S4046 (daily ed. Mar. 21, 1991) (statement of Sen. DeConcini); H. R. Rep. No. 101-960, at 38 (1990). Certainly the harm that Congress perceived in this case is neither of the magnitude nor caliber of the harm that the Voting Rights Laws sought to remedy. We cannot say, however, that absent harm of that order, Congress has no power to make the states amenable to suit in federal court for breaching the guarantees of the Fourteenth Amendment.

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Also important, when states infringe patents, they cause considerable harm to the patentee and the patent system as a whole. Absent the right to sue a state under Title 35 for infringement, a patent declines drastically in value, because there is no access to the remedies of attorney fees and treble damages. See 35 U.S.C. §§ 284, 285 (1994). Although injunctive relief would seem to be available against the state in federal court under *Ex Parte Young*, 209 U.S. 123 (1908), such relief falls far short of the protection that Congress has provided. This is so because, under the federal patent law, damages begin to accrue at the time that the alleged infringer receives notice of infringement, either through a marked product or directly from the patentee, see 35 U.S.C. § 287 (1994), whereas injunctive relief prevents only future infringement, without compensating for past infringement. Consequently, an equitable remedy such as an injunction, preventing only future damage, would provide an insufficient disincentive to infringe. Furthermore, without the disincentive provided by the patent law's damages provisions, a patentee of inventions utilized primarily by states would suffer even greater harm, because an overwhelming portion, rather than a minor subset, of the potential market would be more apt to infringe or to procure cheaper infringing devices until the patentee brings suit. This would render the patentee's patent almost worthless. See *James v. Campbell*, 104 U.S. 356, 358 (1882) (stating with regard to infringement by the federal government: "Many inventions relate to subjects which can only be properly used by the government, such as explosive shells, rams, and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments."); see also *Jacobs Wind*, 919 F.2d at 727, 16 USPQ2d at 1973 (patent on a

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tidal flow system); *Chew*, 893 F.2d at 332, 13 USPQ2d at 1394 (patent on a method for testing automobile exhaust emissions).

2. *Means adopted*

Against this harm to patent holders and the entire patent system, we balance the burden placed on the states by subjecting them to suit in federal court for infringement. For "[w]hile preventive rules are sometimes appropriate remedial measures, there must be a congruence between the means used and the ends to be achieved." *City of Boerne*, 117 S. Ct. at 2169. The ends to be achieved by the Patent Remedy Act are to assure that patentees will not be deprived of their property rights by claims of immunity. Although this may be a modest end, at least when compared with the goals of the Voting Rights legislation, the means of effecting that end are similarly modest and circumscribed. The Patent Remedy Act holds states monetarily accountable for patent infringement, an unlawful act. See 35 U.S.C. § 271 (1994). Conduct that could constitute patent infringement is part of the states' commercial activity, not its central political governance role. Thus, the Patent Remedy Act will rarely constrict or restrain a state in the performance of its core governmental functions. In contrast, in *City of Boerne*, RFRA's "[s]weeping coverage ensure[d] its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter." 117 S. Ct. at 2170. Any act of a state that could be shown to burden substantially the practice of religion was affected by RFRA, even actions that were otherwise perfectly legitimate. Here, the Patent Remedy Act speaks only to a state's unauthorized production, use, or sale of a patented device or method. A state found to have infringed a patent is subject to the same

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consequences as a private party infringer, namely damages subject to trebling, attorney fees, and injunctive relief. The damages in such cases have long been established by Congress as proper and necessary to afford full compensation to a patentee. There is no sound reason to hold that Congress cannot subject a state to the same civil consequences that face a private party infringer. As noted in the legislative history of the Patent Remedy Act, states now engage fully in the intellectual property marketplace, even often asserting their own patent rights. See *Hearings, supra*, at 36-37; see also *Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1564, 43 USPQ2d 1398, 1402 (Fed. Cir. 1997), *cert. denied*, 118 S. Ct. 1548 (1998). The Act subjects states to no greater burdens than those that must be shouldered by private parties. Therefore, the burden placed upon states by the Patent Remedy Act is not so great as to undermine the congressional abrogation of immunity.

Unlike the statute at issue in *City of Boerne*, the burden that the Patent Remedy Act places on states is slight, and it is not disproportionate or incongruous with the significant harm to patent holders who, absent abrogation of Eleventh Amendment immunity, would be unable to enforce fully the rights conveyed by their patent. The Patent Remedy Act thus achieves the congruence between the injury to be prevented and the means adopted to remedy the injury that distinguishes a permissible, remedial exercise of Congress' power under the Fourteenth Amendment from an impermissible extension of the substance of the Fourteenth Amendment rights themselves. See *City of Boerne, supra*. Hence, the second part of Chief Justice Marshall's test for "appropriate legislation" is satisfied; the means of the Patent Remedy Act are plainly adapted to its end. See *McCulloch v. Maryland*, 17 U.S. at 421.

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V

Conclusion

Because Congress clearly expressed its intent to abrogate the sovereign immunity of the states to suit for patent infringement, and because Congress exercised its intent pursuant to a valid exercise of power, the decision of the district court denying Florida Prepaid's motion to dismiss the claim as barred by the Eleventh Amendment is

AFFIRMED.

**APPENDIX B — OPINION OF THE UNITED STATES
DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY
FILED DECEMBER 13, 1996**

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

COLLEGE SAVINGS BANK,

Plaintiff,

and

UNITED STATES OF AMERICA,

Intervenor-Plaintiff,

-v-

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Defendant.

Civ. No. 95-4516 (GEB), Civ. No. 94-5610 (GEB)
December 13, 1996, Decided

MEMORANDUM OPINION

GARRETT E. BROWN, JR., District Judge

This matter comes before the Court on the motions of defendant, Florida Prepaid Postsecondary Education Expense Board, to dismiss plaintiff's Patent Act Claim (Civ. No. 94-5610) and Lanham Act Claim (Civ. No. 95-4516) pursuant to FED. R. CIV. P. 12(h)(3). For the reasons set forth herein, the Court will grant defendant's motion to dismiss the Lanham Act Claim and deny defendant's motion to dismiss the Patent Act Claim.

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I. BACKGROUND

A. The Parties

Plaintiff College Savings Bank ("CSB") is a New Jersey chartered savings bank located in Princeton, New Jersey. CSB alleges that since September, 1987, it has engaged in the business of selling CollegeSure® CD, a deposit contract administered according to a patented method and intended to provide a return adequate to satisfy college education expenses, even though those expenses are presently unknown.¹ See Patent Act Compl. ¶ 3.

Defendant Florida Prepaid Postsecondary Expense Board ("Florida Prepaid") is a body corporate of the State of Florida, created by FLA. STAT. at 240.551 to manage and operate the Florida Prepaid Postsecondary Education Expense Program

¹ U.S. Patent No. 4,722,055 ("the '055 patent") was granted to CSB on January 26, 1988. The '055 patent, entitled "Methods and Apparatus for Funding Liability of Uncertain Costs," provides a method "for implementing an insurance investment program which provides an investor a future return adequate to pay the cost of a college education for his beneficiary (e.g., a child, grandchild, etc.) in return for a present investment determined on the basis of current college cost data and projections of the rate of increase of college costs." See The '055 Patent-Summary of the Invention, attached to Plaintiff's Patent Act Complaint as Exh. A.

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(the "Program").² Like CSB, Florida Prepaid agrees to provide a return for the money invested that is guaranteed to be adequate to meet payouts required to fund the uncertain cost of a college education at specified dates in the future.³ Florida Prepaid has administered a tuition prepayment program since September, 1988.

B. The Claims

1. The Patent Act Claim

On November 7, 1994, CSB brought an action against Florida Prepaid for allegedly infringing CSB's '055 patent. Specifically, CSB avers, in pertinent part, that:

6. Defendant Florida Prepaid has been and still is directly infringing, actively inducing the infringement of, or contributing to the infringement of, the '055 patent by making, using, or selling in this Judicial District and elsewhere, contracts

² The Program is open to "qualified beneficiaries," defined to be:

(1) a resident of Florida at the time a purchaser enters into an advance payment contract on behalf of the resident;

(2) a non-resident who is the child of a non-custodial parent who is a resident of Florida at the time such parent enters into an advance payment contract on behalf of the child; or

(3) a graduate of an accredited high school in Florida who is a resident of Florida at the time he/she is designated to receive the benefits of the advance payment contract. FLA. STAT. § 240.551(2)(e)(1)-(3).

³ Tuition for Florida State postsecondary education institutions is controlled by the Florida Legislature. Pursuant to FLA. STAT. § 240.209 and § 240.35, tuition is set by the State Board of Regents or the State Board of Community Colleges. See Declaration of William W. Montjoy ¶ 28, submitted in support of Florida Prepaid's Motion to Dismiss Plaintiff's Patent Act and Lanham Act Claims ("Montjoy Decl.").

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administered in accordance with a method to provide a return adequate to meet payouts for funding the uncertain cost of a college education at a future date.

7. Defendant Florida Prepaid with actual knowledge of the '055 patent, with knowledge of its infringement, and without lawful justification, has willfully infringed the '055 patent.

Patent Act Compl. ¶¶ 6-7. Thus, CSB contends that the manner in which Florida Prepaid performs its obligations under its college prepayment contracts – that is, the data processing apparatus and methods that Florida Prepaid uses – directly infringes CSB's patent under 35 U.S.C. at 271.

2. The Lanham Act Claim

On August 25, 1995, CSB filed a complaint against Florida Prepaid alleging violations of Section 43(a) of the Lanham Act, 15 U.S.C. at 1125(a), and the common law tort of unfair competition. CSB asserts that its efforts to sell investment contracts have been hurt by "false and misleading claims that Florida Prepaid has made in its promotional materials." Lanham Act Compl. ¶ 11. Specifically, CSB alleges that defendant falsely represented the Florida Prepaid program in the following respects: (1) that the State of Florida guarantees all contract beneficiaries to have the full amount necessary to fund a college education at a participating college or university, *id.* ¶ 14; (2) that any tax liability on a Florida Prepaid contract is deferred until the student reaps the benefits of the contract, *i.e.*, is enrolled at college, *id.* ¶ 22; (3) that Florida Prepaid's investments are backed by the "full faith and credit" of the United States, *id.* ¶¶ 30-32; and (4) that defendant failed to disclose, in its 1995 Annual Report, the existence of CSB's patent infringement action against it. *Id.* ¶¶ 37-39.

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3. The Counterclaims

In response to CSB's Patent Act Claim, Defendant filed a counterclaim seeking a declaration from this Court that CSB's '055 patent is invalid, unenforceable, and void. Moreover, with respect to plaintiff's Lanham Act Claim, defendant filed counterclaims alleging defamation, product disparagement and trade libel. These counterclaims are centered on a statement made by Peter Roberts, the President and Chief Financial Officer of CSB, as quoted and printed in the September 13, 1995 edition of the Miami Daily Business Review, shortly after CSB filed the Lanham Act Claim. Commenting on the representations Florida Prepaid makes in the promotion of its deposit contract program, Mr. Roberts stated: "At best those claims are half-truths, and at worst they're outright lies." *See* Stan Yabaro, PREPAID COLLEGE PLAN FACES NEW SUIT FROM RIVAL, MIAMI DAILY BUS. REV., Sept. 13, 1995, at A1, A7, attached to Florida Prepaid's Lanham Act Answer, Affirmative Defenses and Counterclaims as Exh. C.

C. Procedural History

On March 23, 1995, Florida Prepaid filed a motion to dismiss the Patent Act Claim or, in the alternative, to transfer the action to the Northern District of Florida. Defendant alleged that CSB's Patent Act Claim failed to state a claim actually using or selling the method patented by CSB. *See* Florida Prepaid's Brief in Support of its Motion to Dismiss or Transfer Venue at 5. Therefore, defendant argued, the Patent Act Claim should be dismissed pursuant to FED. R. CIV. P. 12(b)(6). In the alternative, Florida Prepaid argued that the patent action should be transferred to the Northern District of Florida in view of *forum non-conveniens* issues. *Id.* at 7.

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On May 4, 1995, this Court denied defendant's motions. Specifically, we found that

the complaint, as reasonably read, alleges the defendant has infringed the '055 patent by using the methods and apparatus patented therein to fulfill its obligation to purchasers of the contract. That easily satisfies the standard articulated in Rule 8(a).

Paragraph 6 of the complaint alleges the defendant is infringing the patent by selling contracts performed and effectuated by use of the claims of the '055 patent. While one could interpret the paragraph as complaining of the sale of contracts, it also clearly alleges that the defendant, to perform its obligations under the contract, utilized the methods covered by the '055 patent. In this regard, it is useful to remember that a contract is a promise or set of promises for the breach of which the law gives a remedy or the performance of which the law, in some way, recognizes as a duty.

The bargained for exchange here is that the defendant's contracts allegedly memorialize that in return for the purchaser's investment, Florida Prepaid will somehow provide a return sufficient to satisfy the presently unknown financial liabilities of a college education. Inherent in that allegation, is that the defendant necessarily employs the methods covered by the '055 patent to fulfill its performance. The complaint recognizes this in paragraph 6, as evidenced by its own terms, and its close tracking of the claims of the '055 patent. I will deny the motion to dismiss.

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See May 4, 1995 Transcript of Motion at 8-9, *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, Civ. No. 94-5610 (D.N.J. May 4, 1995) (GEB). Moreover, the Court was unpersuaded by defendant's *forum non conveniens* argument because, *inter alia*: (1) the defendant maintained significant contacts with New Jersey; (2) the median trial time at the time of the motion was significantly longer in the Northern District of Florida than in the District of New Jersey; and (3) most of Florida Prepaid's third-party agents who sell contracts and conduct other activities reside outside of Florida. *Id.* at 17-19. An Order denying defendant's motions was entered on May 5, 1995.

More than eight months later, on February 9, 1996, CSB filed a motion to dismiss Florida Prepaid's counterclaims for defamation, product disparagement and trade libel. CSB argued that Florida Prepaid, as a state agency, could not maintain an action for libel or defamation based on statements critical of government operations because such speech is protected by the Free Speech Clause of the First Amendment to the United States Constitution. See *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 919 F. Supp. 756, 758 (D.N.J. Mar. 22, 1996) (GEB) ("*College Savings I*"). CSB also contended that Roberts's statement was privileged speech because it commented on a judicial proceeding or a matter that is of public interest. *Id.*

By Memorandum Opinion and Order dated March 22, 1996, this Court granted plaintiff's motion to dismiss defendant's Lanham Act counterclaims after concluding that a government agency, such as Florida Prepaid, could not maintain an action for libel or defamation, regardless of whether that agency is acting in a proprietary capacity. *Id.* at 760. We also noted that "[a] contrary holding would leave open the possibility that a government agency could file a

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civil action alleging defamation with malice, and thereby employ its potentially vast resources to chill speech in any number of contexts and regardless of the speaker's actual intent." *Id.* (citing *New York Times Co. v. Sullivan*, 376 U.S. 254, 297, 11 L. Ed. 2d 686, 84 S. Ct. 710 (1964) (Black, J., concurring)). Finally, this Court determined that the common law distinction between product disparagement and trade libel on the one hand, and defamation on the other hand, was irrelevant for purposes of plaintiff's motion because Roberts's statement addressed a matter of public concern. 919 F. Supp. at 761-63.

D. Statutory History

Florida Prepaid challenges the constitutionality of certain provisions of the Patent Act and the Lanham Act. The Patent Act, first enacted in 1790, grants and protects an inventor's right of exclusion for a certain period. *See* Act of April 10, 1790, ch. VII, 1 Stat. 109; *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480, 40 L. Ed. 2d 315, 94 S. Ct. 1879 (1974). The Lanham Act was enacted in 1946. *See* Act of July 5, 1946, ch. 540, 60 Stat. 427. It is intended, among other things, to protect those engaged in commerce against unfair competition. *See* 15 U.S.C. at 1127.

In 1992, the Congress enacted amendments to the Patent Act and the Lanham Act to make clear that state governmental entities must abide by these statutes. *See* Patent and Plant Variety Protection Remedy Clarification Act, Pub.L. No. 102-560, 106 Stat. 4230 (1992); Trademark Remedy Clarification Act, Pub.L. No. 102-542, 106 Stat. 3567 (1992). Both enactments provide that no state or state instrumentality is immune from suit under the Eleventh Amendment for violations of these statutes. *See* Pub.L. No. 102-560, at 2(a)(2), 106 Stat. at 4230 (codified at 35 U.S.C.

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§ 296(a)); Pub.L. No. 102-542, § 3(b), 106 Stat. at 3567 (codified at 15 U.S.C. § 1122(a)).

The 1992 amendments were considered necessary because of *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 87 L. Ed. 2d 171, 105 S. Ct. 3142 (1985), which held that congressional intent to abrogate state immunity must be explicitly and unambiguously stated in the statute itself, *see Id.* at 246-and because of later decisions that relied on *Atascadero*. *See* S. Rep. No. 102-280, 102d Cong., 2d Sess. 4-7 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3090-93. The Congress noted that, under those court decisions, the protection afforded by the Patent Act and the Lanham Act "depended on the status of the infringed party" - that is, whether the party was a state actor. *See Id.* at 9. The amendments were enacted to eliminate this "inherent inequity" and to provide "uniform protection" to patent holders and competitors. *See Id.* at 7, 9.

E. The Seminole Tribe Decision

In 1992, the State of Florida was sued in federal court for violating the Indian Gaming Regulatory Act ("IGRA"), Pub.L. No. 100-497, 102 Stat. 2467 (1988). *Seminole Tribe of Florida v. Florida*, 801 F. Supp. 655, 656 (S.D. Fla. 1992), *rev'd*, 11 F.3d 1016 (11th Cir. 1994), *aff'd*, 134 L. Ed. 2d 252, 116 S. Ct. 1114 (1996). Under IGRA, which was passed pursuant to the Indian Commerce Clause, art. I, § 10, cl. 3 of the Constitution, an Indian tribe may sue the state in federal court if the state refused to negotiate in good faith with the tribe over the establishment of a "compact" to permit gaming on the reservation. 25 U.S.C. § 2710(d)(7). Florida and its individually named governor moved to dismiss the action for lack of subject matter jurisdiction, challenging the constitutionality of the Act under the Eleventh Amendment.

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Following a denial of that motion by the district court, the Eleventh Circuit reversed, holding that the Indian Commerce Clause did not grant Congress the authority to abrogate sovereign immunity.⁴ *Seminole Tribe of Florida v. Florida*, 11 F.3d at 1016, 1025-28 (11th Cir. 1994), *aff'd*, 134 L. Ed. 2d 252, 116 S. Ct. 1114 (1996). That court further held that the doctrine of *Ex Parte Young*, 209 U.S. 123, 52 L. Ed. 714, 28 S. Ct. 441 (1908), did not authorize suit against the governor in his individual capacity. 11 F.3d at 1029.

The Supreme Court granted certiorari in order to consider: (1) whether the Eleventh Amendment prevents Congress from authorizing suits by Indian tribes against States for prospective injunctive relief to enforce legislation enacted pursuant to the Indian Commerce Clause; and (2) whether the doctrine of *Ex Parte Young* allows suits against the state's governor for prospective injunctive relief to enforce provisions of a statute. 116 S. Ct. at 1122. In a majority decision written by Chief Justice Rehnquist, and joined by Justices O'Connor, Scalia, Kennedy and Thomas, the Supreme Court affirmed the Eleventh Circuit's dismissal of the petitioner's suit, holding that despite Congress's clear

⁴ The Eleventh Circuit rejected the plaintiff's assertion that IGRA was passed not only pursuant to the Indian Commerce Clause, but also pursuant to Section 5 of the Fourteenth Amendment and the Commerce Clause. 11 F.3d at 1025. Specifically, the court found that "IGRA does not create an entitlement to operate gambling operations; rather, it establishes the process and standards by which gambling may be conducted on Indian lands. Thus, IGRA creates no liberty or property interests and cannot implicate the Fourteenth Amendment." *Id.* The court also excluded the possibility that Congress enacted IGRA under the Interstate Commerce Clause. *Id.* at 1026 ("In analyzing Congress' goals, it is clear that alleviating a supposed burden on interstate commerce was not among them.").

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intent to abrogate sovereign immunity as evidenced by the language of the statute itself, the Indian Commerce Clause does not grant Congress the power to abrogate a state's immunity without its consent.⁵ *Id.* at 1131-32.

In reaching this conclusion, the *Seminole Tribe* majority noted that two questions must be answered to determine if Congress has abrogated the states' immunity from suit: "first, whether Congress has 'unequivocally expressed its intent to abrogate the immunity,' and second, whether Congress has acted 'pursuant to a valid exercise of power.'" *Id.* at 1123. The Court indicated that it was "unmistakably clear" that Congress intended to abrogate Eleventh Amendment immunity in enacting IGRA.⁶ *Id.* at 1124. With respect to the second prong of the analysis, however, the Court concluded that Congress had no power to abrogate Eleventh Amendment immunity under the Indian Commerce Clause. *Id.* at 1130. The Court noted that authority to abrogate had been found under only two constitutional provisions in prior decisions: the Fourteenth Amendment, *see Fitzpatrick v. Bitzer*, 427 U.S. 445, 49 L. Ed. 2d 614, 96 S. Ct. 2666 (1976), and the

⁵ The Court also ruled that the doctrine of *Ex Parte Young* could not be used to enforce the Act against a state official such as the governor. *Id.* at 1133. Specifically, the Court held that "where Congress has prescribed a detailed remedial scheme for the enforcement against a State of a statutorily created right, a court should hesitate before casting aside those limitations and permitting an action against a state officer based upon *Ex Parte Young*." *Id.* at 1132. Because Congress, in enacting IGRA, "chose to impose upon the State a liability which is significantly more limited than would be the liability imposed upon the state officer under *Ex Parte Young*," the Court found that *Ex Parte Young* was inapplicable. *Id.* at 1133.

⁶ The petitioner in *Seminole Tribe* did not challenge the Eleventh Circuit's conclusion that IGRA was not passed pursuant to the Fourteenth Amendment or the Interstate Commerce Clause.

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Interstate Commerce Clause, *see Pennsylvania v. Union Gas Co.*, 491 U.S. 1, 105 L. Ed. 2d 1, 109 S. Ct. 2273 (1989). *Id.* at 1124-25. The *Seminole Tribe* Court determined that the plurality decision in *Union Gas* should be overruled because it was wrongly decided.⁷ 116 S. Ct. at 1128-29. Accordingly, the Court concluded that the Indian Commerce Clause, which is indistinguishable from the Interstate Commerce Clause for purposes of abrogation, did not allow Congress to strip the states of their Eleventh Amendment immunity in the enactment of IGRA. *Id.* at 1131-32.

F. The Present Motions

Less than two months after the United States Supreme Court announced its decision in *Seminole Tribe*, Florida Prepaid filed the instant motions to dismiss CSB's Patent Act Claim and Lanham Act Claim. Essentially, Florida Prepaid asserts that CSB's claims must fail because: (1) to the extent that Congress amended the statutes in question pursuant to one or more of its Article I powers, such amendments are unconstitutional in the wake of *Seminole Tribe*; and (2) to the extent that Congress amended the statutes in question pursuant

⁷ The *Seminole Tribe* Court reasoned that when *Union Gas* was decided, the Eleventh Amendment already was well understood to limit the federal courts' jurisdiction under Article III. In overruling *Union Gas*, the Court reconfirmed that the background principle of state sovereign immunity embodied in the Eleventh Amendment is not so ephemeral as to dissipate when the subject of the suit is an area, like the regulation of Indian Commerce, that is under the exclusive control of the Federal Government. Even when the Constitution vests in Congress complete lawmaking authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against unconsenting States. The Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction. 116 S. Ct. at 1131-32.

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to Section 5 of the Fourteenth Amendment, these amendments are not "appropriate legislation" because they are not aimed at remedying the types of actions expressly prohibited by the Fourteenth Amendment's substantive provisions.

This Court certified Florida Prepaid's constitutional challenges to the Attorney General under 28 U.S.C. § 2403(a) and Rule 32A of the General Rules of the District of New Jersey. Upon request of the Department of Justice, the Court filed Orders on July 30 and August 2, 1996, making the United States an Intervenor in these actions.

In response to Florida Prepaid's motions, both CSB and the Intervenor assert that: (1) Florida Prepaid has waived any Eleventh Amendment immunity it may have been entitled to by engaging in the interstate marketing and administration of its investment contracts after Congress indicated that such activity would subject it to suit in federal court (*i.e.*, the doctrine of constructive waiver set forth in *Parden v. Terminal Ry. of Ala. State Docks Dep't*, 377 U.S. 184, 12 L. Ed. 2d 233, 84 S. Ct. 1207 (1964)); and (2) the 1992 amendment to the Patent Act is a valid exercise of federal authority under Section 5 of the Fourteenth Amendment, thereby abrogating the states' Eleventh Amendment immunity from suit under that statute.

In addition, CSB has raised – and the Intervenor has expressly declined to take a position with respect to – the following arguments: (1) Florida Prepaid is not an "alter ego" or "arm of the state" of Florida and, therefore, is not entitled to Eleventh Amendment immunity; and (2) even assuming that Florida Prepaid is entitled to sovereign immunity, (a) defendant has waived its immunity through its actions in these lawsuits; and (b) the 1992 amendment to the Lanham Act is a valid exercise of federal authority under Section 5 of the

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Fourteenth Amendment, thereby abrogating the states' Eleventh Amendment immunity from suit under that statute.⁸

II. DISCUSSION

A. STANDARD FOR A MOTION TO DISMISS

Rule 12(b)(1) concerns a federal court's "lack of jurisdiction over the subject matter." FED. R. CIV.P. 12(b)(1). Because "federal courts are courts of limited jurisdiction," they have power to adjudicate "only those cases within the bounds of Article III and the United States Constitution and Congressional enactments stemming therefrom." *Walsh v. McGee*, 899 F. Supp. 1232, 1236 (S.D.N.Y. 1995) (citing *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 173-80, 2 L. Ed. 60 (1803); *W.G. v. Senatore*, 18 F.3d 60, 64 (2d Cir. 1994)). The question of subject matter jurisdiction is so fundamental that it is a "question the court is bound to ask and answer for itself, even when not otherwise suggested" *Mansfield, Coldwater & Lake Michigan Ry. v. Swan*, 111 U.S. 379, 382, 28 L. Ed. 462, 4 S. Ct. 510 (1884). Thus, there is no restriction on who may make a motion pursuant to Rule 12(b)(1), or when such motion may be made. See 5A CHARLES A. WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 1350, at 200 (2d ed. 1990). In fact, Rule 12(h)(3) specifically provides that "whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter, the court shall

⁸ The Intervenor has also declined to take any position with respect to the substantive merits of either plaintiff's Patent Act Claim or Lanham Act Claim. See Intervenor Brief at 3 n.1.

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dismiss the action."⁹ The burden of proving that a federal court has subject matter jurisdiction over a given action rests with the party attempting to invoke the court's jurisdiction. *Thomson v. Gaskill*, 315 U.S. 442, 446, 86 L. Ed. 951, 62 S. Ct. 673 (1942); see generally 13 CHARLES A. WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE & PROCEDURE § 3522, at 60-64 (2d ed. 1984). If a case is dismissed for lack of subject matter jurisdiction, all other matters are moot. *Bell v. Hood*, 327 U.S. 678, 682, 90 L. Ed. 939, 66 S. Ct. 773 (1946).

B. ARM OF THE STATE DOCTRINE

CSB first contends that the constitutional issues in this case need not be reached because Florida Prepaid is not the "alter ego" or "arm of the state" of Florida and, therefore, is not even entitled to Eleventh Amendment immunity. In response, Florida Prepaid counters that: (1) CSB is judicially estopped from arguing that Florida Prepaid is not an arm of the state for purposes of the pending motions because it previously argued in *College Saving I* that a state agency, such as Florida Prepaid, is barred as a matter of law from maintaining counterclaims for defamation, product disparagement and trade libel, see Florida Prepaid's Lanham Act Brief at 10; (2) CSB is barred by the law of the case doctrine from arguing that Florida Prepaid is not an arm of

⁹ Rule 12(h)(3) provides: "Whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter, the court shall dismiss the action." The distinction between a Rule 12(h)(3) motion and a Rule 12(b)(1) motion "is simply that the former may be asserted at any time and need not be responsive to any pleading of the other party." *Berkshire Fashions, Inc. v. M.V. Hakusan II*, 954 F.2d 874, 879 n.3 (3d Cir. 1992). For purposes of this case, the motions are analytically identical because the only consideration is whether subject matter jurisdiction arises. See *Id.*

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the state because this Court previously dismissed Florida Prepaid's counterclaims after finding that Florida Prepaid was a state agency, *see Id.*; and (3) Florida Prepaid has satisfied its burden under *Christy v. Pennsylvania Turnpike Comm'n*, 54 F.3d 1140 (3d Cir.), *cert. denied*, 133 L. Ed. 2d 238, 116 S. Ct. 340 (1995), of demonstrating that it is an arm of the State of Florida. *Id.* at 5-10. These claims will be addressed *seriatim*.

1. Judicial Estoppel

The doctrine of judicial estoppel "serves a consistently clear and undisputed jurisprudential purpose: to protect the integrity of the courts." *McNemar v. Disney Store, Inc.*, 91 F.3d 610, 616 (3d Cir. 1996). This doctrine, which "is an equitable doctrine invoked by a court at its discretion," *Id.* at 617 (quotation omitted), precludes a party from assuming a position in a legal proceeding that contradicts or is inconsistent with a previously asserted position. *Ryan Operations G.P. v. Santiam-Midwest Lumber Co.*, 81 F.3d 355, 358 (3d Cir. 1996); *Delgrosso v. Spang & Co.*, 903 F.2d 234, 241 (3d Cir.), *cert. denied*, 498 U.S. 967, 112 L. Ed. 2d 412, 111 S. Ct. 428 (1990); *Scarano v. Central R.R. Co. of N.J.*, 203 F.2d 510, 513 (3d Cir. 1953); C. WRIGHT, A. MILLER, E. COOPER, 18 FEDERAL PRACTICE AND PROCEDURE § 4477 (1981 & Supp. 1996). While judicial estoppel is not intended to eliminate all inconsistencies, regardless of how slight or inadvertent, it is designed to prevent litigants from "playing 'fast and loose with the courts.'" *Ryan Operations*, 81 F.3d at 358 (quoting *Scarano*, 203 F.2d at 513). To permit a party to assume a position inconsistent with a position it had successfully relied upon in a past proceeding "would most flagrantly exemplify . . . playing 'fast and loose with the courts' which has been emphasized as an evil the courts should not tolerate." *Delgrosso*, 903 F.3d at 241 (quoting

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Scarano, 203 F.2d at 513); *see* 903 F.3d at 242 (noting that the "application of the doctrine of judicial estoppel is particularly appropriate in situations . . . where the party benefitted from its original position.").

To determine whether the doctrine of judicial estoppel applies to the particular facts and circumstances of a position, a court must engage in a two-part threshold inquiry: "(1) Is the party's present position inconsistent with a position formerly asserted? (2) If so, did the party assert either or both of the inconsistent positions in bad faith - *i.e.*, 'with intent to play fact and loose with the court?'" *McNemar*, 91 F.3d at 618 (citing *Ryan Operations*, 81 F.3d at 361). Only if both prongs are satisfied is judicial estoppel an appropriate remedy. *Ryan Operations*, 81 F.3d at 361.

While at first blush it may appear as though CSB has asserted inconsistent positions regarding Florida Prepaid's status as an arm of the state, closer examination reveals that the issue of whether a state agency may bring an action for defamation, product disparagement or trade libel against a private competitor does not resolve whether that same state agency is entitled to Eleventh Amendment immunity. Indeed, the City of Chicago itself, whose suit against the Chicago Tribune occasioned the clear enunciation of the doctrine that no government entity can maintain actions for defamation, *see City of Chicago v. Tribune Co.*, 307 Ill. 595, 139 N.E. 86 (Ill. 1923), has been found not to be entitled to immunity under the Eleventh Amendment.¹⁰ *N.M. Paterson & Sons, Ltd. v. City of Chicago*, 176 F. Supp. 323, 324 (N.D. Ill.

¹⁰ Of course, the same would hold true for any city or county because Eleventh Amendment immunity does not extend to these entities. *See, e.g., Mt. Healthy City Sch. Bd. of Educ. v. Doyle*, 429 U.S. 274, 50 L. Ed. 2d 471, 97 S. Ct. 568 (1977); *Lincoln County v. Luning*, 133 U.S. 529, 33 L. Ed. 766, 10 S. Ct. 363 (1890).

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1959). Accordingly, the Court finds that judicial estoppel is inappropriate under these circumstances.

2. Law of the Case

The law of the case doctrine was developed "to maintain consistency and avoid reconsideration of matters once decided during the course of a single continuing lawsuit." *Casey v. Planned Parenthood of Southeastern Pa.*, 14 F.3d 848 (3d Cir. 1994) (quoting 18 CHARLES A. WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL RULES AND PRACTICE PROCEDURE § 4478 (1981)). The doctrine of the law of the case dictates that "when a court decides upon a rule of law, that rule should continue to govern the same issues in subsequent stages in the litigation." *Deisler v. McCormack Aggregates, Co.*, 54 F.3d 1074, 1086 (3d Cir. 1995); *Resyn Corp. v. United States*, 945 F.2d 1279, 1281 (3d Cir. 1991) (quoting *Devex Corp. v. General Motors Corp.*, 857 F.2d 197, 199 (3d Cir. 1988), *cert. denied sub nom. Technograph Liquidating Trust v. General Motors Corp.*, 489 U.S. 1015, 103 L. Ed. 2d 190, 109 S. Ct. 1128 (1989)). Law of the case rules apply "both to issues expressly decided by a court in prior rulings and to issues decided by necessary implication." *Bolden v. Southeastern Pa. Transp. Auth.*, 21 F.3d 29, 31 (3d Cir. 1994) (citing *Doe v. New York City Dep't of Social Servs.*, 709 F.2d 782 (2d Cir.), *cert. denied sub nom. Catholic Home Bureau v. Doe*, 464 U.S. 864, 78 L. Ed. 2d 171, 104 S. Ct. 195 (1983)). The law of the case doctrine merely "directs a court's discretion, it does not limit the tribunal's power." *Arizona v. California*, 460 U.S. 605, 618, 75 L. Ed. 2d 318, 103 S. Ct. 1382 (1983); *Bloom v. Consolidated Rail Corp.*, 812 F. Supp. 553, 556 (E.D. Pa. 1993), *rev'd on other grounds*, 41 F.3d 911 (3d Cir. 1994). It is axiomatic that "the doctrine of the law of the case comes into play only with respect to issues previously determined."

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Quern v. Jordan, 440 U.S. 332, 347 n.18, 59 L. Ed. 2d 358, 99 S. Ct. 1139 (1979).

As noted above, this Court's ruling that Florida Prepaid could not maintain an action for defamation, product disparagement or trade libel against CSB was not dispositive of the issue of whether that same state agency is entitled to Eleventh Amendment immunity. Nor was this issue decided by implication. Therefore, because *College Savings I* did not reach the issue of whether Florida Prepaid is an alter ego or arm of the State of Florida, we conclude that the doctrine of the law of the case is inapplicable to the case at bar and does not preclude this Court from considering the merits of CSB's argument that Florida Prepaid is not entitled to Eleventh Amendment immunity.

3. Arm of the State Doctrine

The Eleventh Amendment to the Constitution provides: "The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." U.S. CONST. amend. XI. This provision divests the federal courts of the power to entertain a suit brought by a private party against a state unless either the state consents or Congress authorizes the action. *Port Authority Trans-Hudson Corp. v. Feeney*, 495 U.S. 299, 304, 109 L. Ed. 2d 264, 110 S. Ct. 1868 (1990); *Ford Motor Co. v. Dep't of Treasury of the State of Ind.*, 323 U.S. 459, 89 L. Ed. 389, 65 S. Ct. 347 (1945); *Hans v. Louisiana*, 134 U.S. 1, 15, 33 L. Ed. 842, 10 S. Ct. 504 (1890).

The Eleventh Amendment bars suits not only against the state itself, but also against a subdivision of the state if the state remains "the real party in interest." *Edelman v. Jordan*,

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415 U.S. 651, 663, 39 L. Ed. 2d 662, 94 S. Ct. 1347 (1974); 13 CHARLES A. WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3524 at 140-145 (2d ed. 1984) (Eleventh Amendment protects subdivisions of states such as penal institutions, highway departments, courts, most universities, and bar associations). The state is the real party in interest whenever "the judgment sought would expend itself on the public treasury or domain, or interfere with the public administration," or if the effect of the judgment would be 'to restrain the Government from acting, or to compel it to act.'" *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 101 n.11, 79 L. Ed. 2d 67, 104 S. Ct. 900 (1984) (quoting *Dugan v. Rank*, 372 U.S. 609, 10 L. Ed. 2d 15, 83 S. Ct. 999 (1963)).

In an effort to formulate a test to determine whether Eleventh Amendment immunity extends to a particular entity, the Third Circuit has developed the following set of factors ("Urbano factors")¹¹:

(1) whether, in the event the plaintiff prevails, the payment of the judgment would come from the state (this includes three considerations: whether the payment will come from the state's treasury, whether the agency has sufficient funds to satisfy the judgment, and whether the sovereign has immunized itself from responsibility for the agency's debts); (2)

¹¹ In *Urbano v. Bd. of Managers of N.J. State Prison*, 415 F.2d 247, 251-52 (3d Cir. 1969), *cert. denied*, 397 U.S. 948, 25 L. Ed. 2d 128, 90 S. Ct. 967 (1970), the court set forth nine factors for determining whether Eleventh Amendment immunity extended to a particular entity. Subsequently, however, these factors were divided into the present three general factors. *Fitchik v. New Jersey Transit Rail Operations, Inc.*, 873 F.2d 655, 659 (3d Cir.), *cert. denied*, 493 U.S. 850, 107 L. Ed. 2d 107, 110 S. Ct. 148 (1989).

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the status of the agency under state law (this includes four considerations: how state law treats the agency generally, whether the agency is separately incorporated, whether the agency can be sue and be sued in its own right, and whether it is immune from state taxation); and (3) what degree of autonomy the agency enjoys.

Christy, 54 F.3d at 1144-45 (citing *Peters v. Del. River Port Auth. of Pa. and N.J.*, 16 F.3d 1346, 1350 (3d Cir.), *cert. denied*, 130 L. Ed. 2d 20, 115 S. Ct. 62 (1994)); *see also Bolden v. Southeastern Pa. Transp. Auth.*, 953 F.2d 807, 816 (3d Cir. 1991) (*in banc*), *cert. denied*, 504 U.S. 943, 119 L. Ed. 2d 206, 112 S. Ct. 2281 (1992); *Fitchik*, 873 F.2d 655, 659. The party asserting Eleventh Amendment immunity bears the burden of proving entitlement to it. *Christy*, 54 F.3d at 1144. We turn now to this three-pronged inquiry.

a. Funding

Although no single *Urbano* factor is dispositive, the "most important" is whether a judgment against the entity in question would be paid out of the state treasury. *Christy*, 54 F.3d at 1145 (citing *Fitchik*, 873 F.2d at 659). This special emphasis is supported by "the Eleventh Amendment's central goal: the prevention of federal court judgments that must be paid out of the State's treasury." *Id.* (citing *Fitchik*, 873 F.2d at 659-60). *See also Hess v. Port Authority Trans-Hudson Corp.*, 513 U.S. 30, 115 S. Ct. 394, 404, 130 L. Ed. 2d 245 (1994) ("Prevention of federal court judgments that must be paid out of a State's treasury" formed the "impetus" for the Eleventh Amendment); *id.* ("The vast majority of Circuits have concluded that the state treasury factor is the most important factor to be considered and, in practice, have generally accorded this factor dispositive weight.").

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Under Florida law, Florida Prepaid can "invest funds not required for immediate disbursement." FLA. STAT. § 240.551(5)(c)(5). Florida Prepaid may also "hold, buy, and sell any instruments, obligations, securities, and property determined appropriate by the board," *see* FLA. STAT. § 240.551(5)(c)(7), "solicit and accept gifts, grants, loans, and other aids from any source," *see* FLA. STAT. § 240.551(5)(c)(12), and "require and collect administrative fees and charges in connection with any transaction and impose reasonable penalties, including default, for delinquent payments for entering into an advance payment contract on a fraudulent basis." FLA. STAT. § 240.551(5)(c)(13). Moreover, Florida Prepaid has the authority to increase contract prices as necessary to meet its costs. *See* 1995 Florida Prepaid College Program Brochure at 8, attached to Declaration of Deborah M. Lodge ("Lodge Decl.") as Exh.7.

Using these powers, Florida Prepaid has amassed total assets of nearly \$ 1.5 billion and a surplus in excess of \$ 184 million as of June 30, 1995.¹² Moreover, it has done so without much, if any, support from the State of Florida. Indeed, Stanley Tate, Florida Prepaid's chairman, stated that: "Not one dime of tax money has been spent on this program." *See* Testimony of Stanley G. Tate, April 30, 1990, before the *Subcommittee on Labor, Health and Human Services, Education and Related Agencies*, 101st Cong., 2d Sess. at 2504, attached to Lodge Decl. as Exh. 3. In the same written testimony, Tate also explained that the program was started with a \$ 600,000 loan from the State of Florida Department

¹² The \$184 million represents the present value amount by which "the expected value of assets exceeds the expected value of liabilities" as stated by Ernst & Young, Florida Prepaid's accounting firm. *See* 1996 Annual Report at 12-13, attached to Lodge Decl. as Exh. 4.

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of Insurance, and that this loan was paid in full in 1989, "two full years ahead of schedule." *Id.*

Although these factors tend to show that defendant is self-sufficient in many respects, Florida Prepaid is precluded by law from satisfying a judgment against it. Specifically, Florida law provides:

Neither the state nor any of its agencies shall pay or be required to pay monetary damages under the judgment of any court except pursuant to an appropriation made by law. To enforce a judgment for monetary damages against the state or a state agency, the sole remedy of the judgment creditor, if there has not otherwise been an appropriation made by law to pay the judgment, is to petition the Legislature in accordance with its rules to seek an appropriation to pay the judgment.

FLA. STAT. 11.066(3). Thus, the fact that Florida Prepaid may have more than ample funds to satisfy any judgment that may result from this action is completely irrelevant because Florida Prepaid, like all other state agencies in Florida, is barred by law from satisfying any judgment against it, regardless of amount. Accordingly, this factor weighs heavily in favor of finding that Florida Prepaid is an arm of the State of Florida.

Another factor that tends to weigh in favor of Florida Prepaid's claim that it is entitled to Eleventh Amendment immunity is the fact that, if the Trust Fund itself proves unable to meet its obligations, the State of Florida will pay the beneficiaries directly:

The state shall agree to meet the obligations of the board to qualified beneficiaries if moneys in the fund fail to offset the obligations of the board. The

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Legislature shall appropriate to the Prepaid Postsecondary Education Expense Trust Fund the amount necessary to meet the obligations of the board to qualified beneficiaries.

FLA. STAT. § 240.551(9). Thus, any resulting depletion of the Trust Fund through litigation would likely trigger the obligation of the State to make payments to beneficiaries. Moreover, the State of Florida is ultimately responsible for covering certain debts of Florida Prepaid:

In the event that the state determines the program to be financially infeasible, the state may discontinue the provision of the program. Any qualified beneficiary who has been accepted by and is enrolled or is within 5 years of enrollment . . . shall be entitled to exercise the complete benefits for which he or she has contracted. All other contract holders shall receive a refund . . . of the amount paid in and an additional amount in the nature of interest at a rate that corresponds, at a minimum, to the prevailing interest rates for savings accounts provided by banks and savings and loan associations.

Id. § 240.551(14). Therefore, while the parties argue over the importance of this obligation, *see* CSB's Lanham Act Brief at 15-16; Montjoy Decl. ¶¶ 23-26, it is undisputed that under certain circumstances, the State of Florida will cover Florida Prepaid's debts. Accordingly, the Court finds that this factor weighs heavily in favor of finding that Florida Prepaid is an arm of the state.

The existence of a moderate amount of insurance does not change this analysis. The Florida Casualty Insurance Risk Management Trust Fund is a self-insurance program created by the State of Florida for the purpose of insuring all state

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agencies and is administered by the Division of Risk Management of the Florida Department of Insurance. *See* Montjoy Decl. ¶¶ 15-20. Premiums paid into the Fund by state agencies come from a variety of sources, including state-appropriated funds. *See id.* ¶ 19. Coverage is limited to \$ 100,000 per claimant and \$ 200,000 for all claims arising out of the same transaction or occurrence. FLA. STAT. § 768.28. Thus, only the first \$ 100,000 or \$ 200,000 of any judgment(s) would be paid through insurance; the rest could be obtained only through direct legislative appropriation. Montjoy Decl. ¶ 21. Taken together, these provisions do not establish that the State of Florida has insulated itself from any potential liability that may arise from a claim against Florida Prepaid. Rather, these provisions tend to demonstrate that the State of Florida has found, as a matter of policy, that the legislature should not be burdened with petitions for such claims. Accordingly, the existence of insurance in this matter does not weigh against Florida Prepaid's claim that it is an arm of the state.

In addition, the Court is not persuaded by CSB's suggestion that the importance of FLA. STAT. § 11.066(3), which provides that any judgment against a state agency must be paid pursuant to an appropriation of the state legislature, should somehow be diminished because "it was adopted solely to bolster sovereign immunity." CSB's Lanham Act Brief at 17 (citing *Arnold v. BLAST Intermediate Unit 17*, 843 F.2d 122 (3d Cir. 1988); *Gary W. v. State of La.*, 622 F.2d 804 (5th Cir. 1980), *cert. denied*, 450 U.S. 994 (1981)). First, in both *Arnold* and *Gary W.*, the courts were faced with the issue of whether a state could, in effect, avoid paying a federal judgment by relying on its own law to frustrate execution. The federal courts quite properly refused to countenance such defiance. Moreover, neither case involved an Eleventh Amendment question, and neither case suggests

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that a court should ignore an applicable state-law payment provision before a judgment is rendered. Second, the Supreme Court has never indicated that a state acts inappropriately by structuring an agency so that it may enjoy the special constitutional protections of the States themselves. Indeed, in *Lake Country Estates, Inc. v. Tahoe Regional Planning Agency*, the Court found that such structuring was a factor weighing in favor of finding an agency to be an arm of the state. 440 U.S. 391, 401, 99 S. Ct. 1171, 59 L. Ed. 2d 401 (1979).

In sum, the Court finds that the first factor, whether the source of payment for any judgment would come from the state, weighs heavily in favor of finding that Florida Prepaid is an alter ego of the State of Florida. Florida is obligated, under certain circumstances, to cover the obligations of Florida Prepaid. Moreover, while it is true that the legislature is not compelled to satisfy a judgment against Florida Prepaid, Florida Prepaid, like all other state agencies in the State of Florida, cannot satisfy this judgment itself. Clearly, the State of Florida should not be penalized with the loss of sovereign immunity for the way it had chosen to organize its government. Florida Prepaid operates in the same manner and is subject to the same restrictions as are other Florida State agencies.

b. Status at State Law

The second general factor we must consider in determining whether Florida Prepaid is an arm or alter ego of the State of Florida is the status of Florida Prepaid under Florida law. Our purpose here is to determine whether Florida law treats Florida Prepaid as an independent entity, or as a surrogate for the State. See *Fitchik*, 873 F.2d at 662.

Under Florida law, those entities entitled to sovereign immunity include "state agencies," which are defined as, inter

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alia, "corporations primarily acting as instrumentalities or agencies of the state." *Skoblow v. Ameri-Manage, Inc.*, 483 So. 2d 809, 812 (Fla. App. 3d Dist. 1986) (Quoting FLA. STAT. § 768.28(2)), *aff'd sub nom. Spooner v. Dep't of Corrections*, 514 So. 2d 1077 (Fla. 1987), *cert. denied*, 491 U.S. 904 (1989). In *Skoblow*, the court held that a private hospital management company was entitled to sovereign immunity as a "state agency" because it had contracted with the government to manage a state hospital. *Id.* at 811-12. It follows, therefore, that a full-time state agency such as Florida Prepaid can receive no less protection.

Several other factors also weigh in favor of finding Florida Prepaid an arm of the state. For example, monies in the Florida Prepaid Trust Fund are protected by law from the creditors of the owners or beneficiaries of advance tuition payment contracts. See FLA. STAT. § 222.22 (1995). Florida Prepaid also enjoys certain tort immunity under state law. See FLA. STAT. § 768.28. Further, all of Florida Prepaid's powers are derived from specific legislative grants. Indeed, state agencies in Florida have no inherent or common law powers. *Kizar v. Wittenberg*, 398 So. 2d 1002, 1003 (Fla. App. 5th Dist. 1981); *Florida ex rel. Greenberg v. Florida State Bd. of Dentistry*, 297 So. 2d 628, 636 (Fla. App. 1st Dist.), *cert. dismissed*, 300 So. 2d 900 (Fla. 1974). All Florida agencies, including Florida Prepaid, have only those powers specifically granted to them by the legislature.

On the other hand, there are certain factors which tend to weigh against a finding of immunity. Specifically, Florida Prepaid: (1) has the ability to sue and be sued in its own name; (2) controls its own funds and the investment and income therefrom; (3) may enter into contracts in its own name; and (4) may invest funds. See CSB's Lanham Act Brief

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at 22 & n.20.¹³ However, the Supreme Court has found that at least two of these factors – the fact that an agency is a “body corporate” and that it could “sue or be sued” – have limited relevance in Eleventh Amendment cases. *Florida Dept. of Health & Rehabilitative Servs. v. Florida Nursing Home Ass’n*, 450 U.S. 147, 67 L. Ed. 2d 132, 101 S. Ct. 1032 (1981) (per curiam). Moreover, this Court has already determined that Florida Prepaid’s ability to control funds, enter into contracts, and invest funds was relatively unimportant for the present analysis when compared with other statutory provisions under federal law. Accordingly, the Court finds that the second general factor also weighs in favor of a finding of immunity.

c. Autonomy

The Prepaid Postsecondary Education Expense Board, which administers Florida Prepaid, is composed of four officers of the State of Florida: the Insurance Commissioner and Treasurer, the Comptroller, the Chancellor of the Board of Regents, and the Executive Director of the State Board of Community Colleges.¹⁴ FLA. STAT. § 240.551(5). Three additional members are appointed by the Governor of Florida and confirmed by the State Senate. *Id.* The Governor also appoints the initial chairman of the board. *Id.* § 240.551(5)(a). State authority over the appointment of Board

¹³ CSB also alleges that Florida Prepaid is “separately incorporated,” and therefore, this factor should weigh against immunity. However, Florida Prepaid is not separately incorporated; rather, it is a state agency that has also been created as a “body corporate” with certain corporate powers. FLA. STAT. § 240.551(5).

¹⁴ The Insurance Commissioner and Treasurer and the Comptroller are elected constitutional officers of the State of Florida. See FLA. CONST. art. IV, §§ 4(d), (e).

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members “lends obvious support to a finding of sovereignty.” *Christy*, 54 F.3d at 1149 (citing *Peters*, 16 F.3d at 1351-52).

Moreover, in another plain limitation on autonomy, Florida Prepaid’s accounts are “subject to annual audits by the Auditor General or his designee.”¹⁵ FLA. STAT. § 240.551(5)(g).

On the other hand, weighing in favor of a finding of autonomy are the facts that the Board itself “appoint[s] an executive director to serve as the chief administrative and operational officer of the board and to perform other duties assigned to him or her by the board,” FLA. STAT. § 240.551(5)(b) and is authorized to “contract for necessary goods and services, employ necessary personnel, and engage the services of private consultants, actuaries, managers, legal counsel, and auditors for administrative or technical assistance.” *Id.* § 240.551(5)(c)(11). Florida Prepaid also has the ability to “establish agreements or other transactions with federal, state, and local agencies, including state universities and community colleges,” *id.* § 240.551(5)(c)(4), “invest funds not required for immediate disbursements,” *id.* § 240.551(5)(c)(5), “appear on its own behalf before boards, commissions, or other governmental agencies,” *id.* § 240.551(5)(c)(6), “hold, buy, and sell any instruments, obligations, securities, and property determined appropriate by the board,” *id.* § 240.551(5)(c)(7), “restrict the numbers of participants in the . . . plan[s],” *id.* § 240.551(5)(c)(9), “delineate the terms and conditions under which payments may be withdrawn from the fund and impose reasonable fees and charges for such withdrawal,” *id.* § 240.551(5)(c)(16),

¹⁵ The Auditor General of Florida is an officer of the State of Florida appointed by the state legislature pursuant to Article III, section 2 of the Florida Constitution.

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and "establish other policies, procedures, and criteria to implement and administer the provisions of this section." *Id.* § 240.551(5)(c)(18).¹⁶

On balance, this factor weighs slightly in favor of immunity from suit in this case. *Cf. Peters*, 16 F.3d at 1351-52 (where separately incorporated agency was found to have power to enter contracts, hold property, and set and collect tolls, court held that the autonomy factor weighed "slightly" in favor of affording immunity in light of the states' power to appoint the members of the board of the agency in question). Further, we note that like all Florida state agencies, Florida Prepaid has only the powers and degree of independence necessary for it to carry out the tasks assigned to it by the State of Florida.

¹⁶ With respect to CSB's contention that Florida Prepaid is autonomous, in part, because its funds remain separate from other state funds at all times, *see* CSB's Lanham Act Brief at 24, we note that a similar argument was rejected by the court in *Michigan v. United States*, 40 F.3d 817 (6th Cir. 1994). Specifically, the court noted:

It is likewise immaterial that the funds of the education trust, like the funds of many public corporations, authorities, and similar establishments, come primarily from persons to whom the entity provides a service - and it is immaterial that such funds are earmarked for the benefit of those who receive the service. If the funds of the Postal Service come primarily from persons who buy stamps, the funds of the Tennessee Valley Authority from those who purchase power from that agency, and the funds of the Port of New York authority from users of the authority's bridges and tunnels, it does not mean that the Postal Service, the Tennessee Valley Authority, and the Port of New York Authority are anything other than governmental in character. Neither is the governmental character of these agencies compromised in any way by the fact that the agencies' funds are earmarked - like highway trust funds and countless other restricted accounts of governmental bodies - for use in performing the functions that the agencies were created by law to perform. *Id.* at 829.

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d. Totality of the Factors

Having considered each of the three factors above, we now must consider the three factors in their totality. *See Bolden*, 953 F.2d at 821. Since the most important factor, funding, weighs heavily in favor of Florida Prepaid, and the other two factors also weigh at least slightly in favor of Florida Prepaid, the balance is clearly struck in favor of a finding that Florida Prepaid enjoys sovereign immunity as an arm of the State of Florida.

C. WAIVER BY CONDUCT IN LITIGATION

CSB argues that, even if the Eleventh Amendment would otherwise apply and would undercut the jurisdiction of this Court, Florida Prepaid has waived this defense and has effectively consented to being sued here by "participating in this federal action and by filing counterclaims in both the Lanham Act and patent actions." CSB's Lanham Act Brief at 9. According to CSB, Florida Prepaid

has made more than a "general appearance" in this Court. Florida Prepaid has filed three counterclaims and has availed itself of the Court's jurisdiction in those matters. By virtue of its participation in this suit, Florida Prepaid thus has waived any Eleventh Amendment immunity it might have enjoyed.

Id. at 10 (citation omitted). Moreover, CSB seems to suggest that Florida Prepaid's failure to raise the Eleventh Amendment defense in its pleadings somehow precludes defendant from raising this defense at this time.

Plaintiff's arguments merit little discussion. To begin with, Florida Prepaid did not voluntarily enter into this litigation; instead, it was sued in this district despite conducting less than one percent of its business here. Thus, its

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motion to dismiss pursuant to FED. R. CIV. P. 12(b)(6) or, in the alternative, to transfer the Patent Act Complaint to the Northern District of Florida pursuant to 28 U.S.C. § 1404, must be viewed as the response of a "beleaguered defendant," rather than an active participant. See *Unix Sys. Labs., Inc. v. Berkeley Software Design, Inc.*, 832 F. Supp. 790, 801 (D.N.J. 1993); see also *Pennhurst State Sch. & Hosp.*, 465 U.S. at 99 (stating that the waiver of a state's sovereign immunity, like the waiver of any constitutional right, must be construed in favor of the holder of the right). It is also clear that Florida Prepaid's counterclaims all involved matters that arose from, or were concerned with, matters in the underlying complaints. See *Kaplan v. First Options of Chicago, Inc.*, 19 F.3d 1503, 1512 (3d Cir.) (noting that it is well established that "filing a counterclaim does not waive an objection to jurisdiction."), *cert. granted in part*, 115 S. Ct. 634 (1994), *aff'd*, 514 U.S. 938, 115 S. Ct. 1920, 131 L. Ed. 2d 985 (1995); see also *Bayou Steel Corp. v. M/V Amstelvoorn*, 809 F.2d 1147, 1148 (5th Cir. 1987); *In re Arthur Treacher's Franchisee Litig.*, 92 F.R.D. 398, 413 (E.D. Pa. 1981); cf. *Neifeld v. Steinberg*, 438 F.2d 423, 431 n.17 (3d Cir. 1971) (dicta). Finally, we note that this analysis is not changed by the fact that Florida Prepaid did not raise the Eleventh Amendment immunity defense in its answer. The Eleventh Amendment defense sufficiently "partakes of the nature of a jurisdictional bar so that it need not be raised in the trial court." *Florida Dep't of State v. Treasure Salvors, Inc.*, 458 U.S. 670, 683 n.18, 73 L. Ed. 2d 1057, 102 S. Ct. 3304 (1982); *Edelman*, 415 U.S. at 678. Therefore, Florida Prepaid's failure to raise this defense at the outset does not preclude its application at this juncture.

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D. THE PARDEN DOCTRINE

Where a state consents to being sued, neither the Eleventh Amendment nor the doctrine of sovereign immunity is a bar. See *Petty v. Tennessee-Missouri Bridge Comm'n*, 359 U.S. 275, 3 L. Ed. 2d 804, 79 S. Ct. 785 (1959); *Clark v. Barnard*, 108 U.S. 436, 27 L. Ed. 780, 2 S. Ct. 878 (1883). In the absence of an express consent by a state to be sued, federal courts have still attempted to find some type of implied or constructive consent by the state to avoid the limitations of the Eleventh Amendment. Thus, in *Parden v. Terminal Ry. of Ala. State Docks Dep't*, 377 U.S. 184, 12 L. Ed. 2d 233, 84 S. Ct. 1207 (1964), the Court found that the State of Alabama, by its conduct in operating a railroad, had consented to suit in federal court under the Federal Employers' Liability Act ("FELA"), 45 U.S.C. §§ 51-60. In *Parden*, employees brought a FELA personal injury suit for damages against an Alabama-owned interstate railroad. The Court first examined whether Congress had intended to include state-owned as well as privately-owned rail carriers under the coverage of FELA. Although there was no language in FELA specifically authorizing suits against a state, Congress had made FELA applicable to "every" interstate rail carrier, thus including the Alabama-owned railroad within its coverage.

After finding that the state-owned railroad was within the coverage of FELA, the Court next examined whether Congress had the power to subject Alabama to suit in light of the State's sovereign immunity. Justice Brennan, writing for a five-member majority, found that by empowering Congress to regulate commerce, "the States necessarily surrendered any portion of their sovereignty that would stand in the way of such regulation." 377 U.S. at 192. However, the majority opinion went on to explain that the Eleventh Amendment was

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not being overridden, since a state still could not be sued by an individual without its consent. The Court concluded that Alabama had consented to a suit under FELA by its continued operation of an interstate railroad for approximately twenty years after Congress had made such railroads subject to suit under FELA.

Four Justices disagreed as to the type of statutory notice that was necessary before Congress could make the states subject to suit through their implied consent.

It should not be easily inferred that Congress, in legislating pursuant to one article of the Constitution, intended to effect an automatic and compulsory waiver of rights arising out of another. Only when Congress has clearly considered the problem and expressly declared that any state which undertakes given regulable conduct will be deemed thereby to have waived its immunity should courts disallow the invocation of this defense.

. . . If the automatic consequence of state operation of a railroad in interstate commerce is to be waiver of sovereign immunity, Congress' failure to bring home to the State the precise nature of its option makes impossible the "intentional relinquishment or abandonment of a known right or privilege" which must be shown before constitutional rights may be taken to have been waived. *Johnson v. Zerbst*, 304 U.S. 458, 464, 82 L. Ed. 1461, 58 S. Ct. 1019 (1938); *Fay v. Noia*, 372 U.S. 391, 9 L. Ed. 2d 837, 83 S. Ct. 822 (1963).

Id. 377 U.S. at 198-200 (White, J., dissenting). Despite the difference between the majority and dissenters regarding the need for express congressional authorization for suits against

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the state, the *Parden* Court recognized that where Congress under its commerce power had authorized private suits against a state engaging in certain conduct and the state continued that conduct, the state necessarily had consented to be sued.

Subsequently, in *Employees of the Dep't of Pub. Health & Welfare v. Dep't of Public Health & Welfare*, 411 U.S. 279, 36 L. Ed. 2d 251, 93 S. Ct. 1614 (1973), the dissenting position in *Parden* was adopted by a majority of the Court. The *Employees* case involved a suit against the State of Missouri to enforce the State's compliance with the Fair Labor Standards Act, which had been amended to apply to state and local governments. The majority distinguished *Parden* on the grounds that whereas states have a choice whether or not to operate railroads, they have little discretion in deciding whether to provide basic public services like public hospitals and police protection. In the absence of a clear declaration from Congress that it intended to make states liable for violations of the Act, the Court concluded, there is no basis for finding a constructive waiver. *Id.* at 285.

The Court's refusal to find constructive waivers became even clearer a year after the *Employees* decision in *Edelman v. Jordan*, 415 U.S. 651, 39 L. Ed. 2d 662, 94 S. Ct. 1347 (1974). In addition to trying to avoid the Eleventh Amendment by suing the state officers, the plaintiffs also claimed that Illinois had waived its immunity to suits over its welfare program by voluntarily choosing to receive federal funds. Under the Social Security Act, states are not obligated to participate in the program of Aid to the Aged, Blind and Disabled. If, however, a state decides to participate, it receives federal funds but must comply with federal standards. The Court said that there was not a sufficient declaration of Congress's desire to permit suits against states in federal courts when states choose to receive

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federal welfare monies. The Court concluded that the "mere fact that a State participates in a program through which the Federal Government provides assistance for the operation by the State of a system of public aid is not sufficient to establish consent on the part of the State to be sued in the federal courts." ¹⁷ *Id.* at 673.

In 1987, the Supreme Court explicitly overruled its earlier decision in *Parden*. In *Welch v. Texas Dep't of Highways and Pub. Transp.*, the Court considered whether the Jones Act can be the basis for state liability in federal court. 483 U.S. 468, 107 S. Ct. 2941, 97 L. Ed. 2d 389 (1987). The Jones Act is a federal statute creating remedies for injured seamen like those for injured railroad employees involved in the *Parden* case. Welch was injured while working for the State of Texas on the docks and sued to recover for his injuries.

The Supreme Court held that the Eleventh Amendment barred Welch's suit against Texas. The Court stated that "Congress has not expressed in unmistakable statutory language its intention to allow States to be sued in federal court under the Jones Act." *Id.* at 475. The Court emphasized that waiver will be found only if Congress clearly and unequivocally expresses its intent to make state liable. Moreover, the Court declared that *Parden* was overruled to the extent that it was inconsistent with its holding in *Welch*. *Id.* at 476.

¹⁷ The holding in *Edelman* has been reaffirmed and applied by the Court in rulings that a state does not waive its Eleventh Amendment immunity by receiving federal funds under the Rehabilitative Act of 1973, see *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 87 L. Ed. 2d 171, 105 S. Ct. 3142 (1985), or by agreeing to be bound by the requirements of the federal Medicaid Act. *Florida Dep't of Health & Rehabilitative Servs. v. Florida Nursing Home Ass'n*, 450 U.S. 147, 67 L. Ed. 2d 132, 101 S. Ct. 1032 (1981).

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In sum, the rarity of a state's constructive waiver of its Eleventh Amendment immunity cannot be overstated. *Edelman*, 415 U.S. at 653 ("Constructive consent is not a doctrine commonly associated with the surrender of constitutional rights . . ."). Indeed, no Supreme Court decision except *Parden* itself, which was a five-four decision, has found that consent under the *Parden* theory.

With the foregoing as a backdrop, we conclude that the *Parden* doctrine cannot apply to eliminate Florida Prepaid's immunity under the Eleventh Amendment immunity because: (1) Florida Prepaid is essentially performing a role traditionally undertaken by state governments - making available affordable educational opportunities; and (2) in the wake of *Seminole Tribe*, Congress may no longer utilize its Article I powers to elicit a waiver of sovereign immunity as a condition for participating in a field subject to congressional regulation.

1. Florida Prepaid's Important Governmental Function

The Supreme Court has recognized that "education is perhaps the most important function of state government." *Brown v. Bd. of Educ.*, 347 U.S. 483, 493, 98 L. Ed. 873, 74 S. Ct. 686 (1954). More recently, the Court reaffirmed that education is an area "where States historically have been sovereign." *United States v. Lopez*, 514 U.S. 549, 131 L. Ed. 2d 626, 115 S. Ct. 1624, 1632 (1995). In *Lopez*, a case not involving the Eleventh Amendment, the Supreme Court struck down legislation founded on a sweeping interpretation of congressional power under the Interstate Commerce Clause. Clearly, education is uniquely important to the role of the states.

The Third Circuit also has acknowledged that providing education-related services is a core function of state government. In *Skehan v. State Sys. of Higher Educ.*, 815

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F.2d 244 (3d Cir. 1987), the court held that the Pennsylvania State System of Higher Education, "a body corporate and politic" created by state law to administer educational institutions, *id.* at 247, was a state agency entitled to claim immunity under the Eleventh Amendment. *See id.* at 249. In so doing, the court observed: "Providing education has long been recognized as a function of state government." *Id.* at 248.

Of course, in this case, Florida Prepaid's supporting (and necessary) role in this activity is not within the exclusive province of the states. Indeed, there can be no doubt that Florida Prepaid and CSB, among others, are competing against one another for college-earmarked dollars. However, the mere fact that Florida Prepaid and private businesses offering prepaid tuition plans are similar in certain respects is not dispositive here.¹⁸ *Cf. Close v. State of N.Y.*,

¹⁸ CSB impliedly suggests that the doctrine of judicial estoppel should bar Florida Prepaid from arguing that it is performing a core governmental function. *See* CSB's Reply Brief in Further Opposition to Defendant's Motions to Dismiss at 3 ("Florida Prepaid has acknowledged that this case involves a state's proprietary (as opposed to governmental) functions. Thus, Florida Prepaid's brief opposing [CSB's] motion to dismiss the libel counterclaims in the Lanham Act case, which the Court granted, bemoaned the state agency's vulnerability in this area . . ."). However, there is nothing necessarily inconsistent with Florida Prepaid arguing that while it operates its Program like a competitive business, the Program itself is aimed at satisfying a core governmental function. Clearly, an aggressive marketing strategy or a desire for the Program to succeed does not transform an alter ego of the state into a private entity for purposes of Eleventh Amendment immunity. *See College Savings I*, 919 F. Supp. at 761 n.3 ("That a statement embodies or addresses a commercial matter certainly does not preclude a court from finding that it falls within the realm of public concern.") (citing, for example, *Curtis Publishing Co. v. Butts*, 388 U.S. 130, 162-70, 18 L. Ed. 2d 1094, 87 S. Ct. 1975 (1967) (Warren, C.J., concurring)). Accordingly, Florida Prepaid is not judicially estopped from claiming that it performs a core governmental function.

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1996 U.S. Dist. LEXIS 12330, 1996 WL 481550, at *4 (N.D.N.Y. Aug. 19, 1996) (rejecting the notion that a state constructively consents to be sued by engaging in any area of activity that it does not exercise absolute control). Florida Prepaid was created by statute to perform a task found to be vital to the State of Florida:

The Legislature recognizes that educational opportunity at the postsecondary level is a critical state interest. It further recognizes that educational opportunity is best ensured through the provision of postsecondary institutions that are geographically and financially accessible. Accordingly, it is the intent of the Legislature that a program be established through which many of the costs associated with postsecondary attendance may be paid in advance and fixed at a guaranteed level for the duration of undergraduate enrollment. It is similarly the intent of the Legislature to provide a program that fosters timely financial planning for postsecondary attendance and to encourage employer participation in such planning through program contributions on behalf of employees and the dependents of employees.

FLA. STAT. ANN. § 240.551(1). Certainly, providing a system to help people pay for the education of Florida citizens at Florida state universities and colleges is vital to Florida's attainment of its educational objectives in operating these institutions. Florida Prepaid provides a substantial benefit that directly and significantly promotes the educational objectives of the State of Florida. *See College Savings I*, 919 F. Supp. at 761 ("While Florida Prepaid purports to function in a proprietary capacity in administering the program, it nonetheless performs 'an essential government operation'

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that has affected hundreds of thousands of citizens, within and outside of Florida.") (footnote omitted).

Moreover, we note that Florida Prepaid does not offer "investment contracts" to the public. Essentially, Florida Prepaid is offering contracts for college tuition and dormitory facilities. Unlike the program offered by CSB, the prepayment program offered by Florida Prepaid does not produce investment income. See FLA. STAT. § 240.551(6)(e)(1). According to section 5.01 of the Florida Prepaid Master Covenant, "this master covenant is not a debt instrument. Except for the circumstances in Paragraphs 5.02, 5.03 and 5.08, termination or default will entitle you [the purchaser] to a refund of the amount paid into the plan, minus reasonable administrative fees established by the Board. No interest will be refunded." Plainly, Florida Prepaid is not selling investment contracts, but rather highly specialized savings vehicles linked to the express purpose of providing financing for a higher education of Florida citizens at Florida schools:

The State considers this an essential governmental operation to assist its citizens to access higher education. All legal and beneficial interests in the assets held by the trust fund are vested in the State for its exclusive benefit and the exclusive benefit of the colleges and universities; therefore, payments are guaranteed to be made on the beneficiary's behalf to the State college or university. Exercise of full benefits under the contract guarantees the beneficiary receipt of services and the beneficiary will not receive any funds.

Florida Prepaid Master Covenant § 5.08.

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Based on the foregoing, the Court finds that Florida Prepaid is performing a role traditionally undertaken by state governments – making available affordable educational benefits. Therefore, the *Parden* doctrine, on its own terms, cannot apply to eliminate Florida Prepaid's immunity under the Eleventh Amendment.

2. *Parden* in the Wake of *Seminole Tribe*

Florida Prepaid argues in the alternative that, even assuming it is not engaged in "core governmental" activities, the doctrine of constructive waiver cannot survive the Supreme Court's recent decision in *Seminole Tribe of Florida v. Florida*, 134 L. Ed. 2d 252, 116 S. Ct. 1114 (1996) because the *Parden* doctrine presupposes that Congress has the authority pursuant to Article I of the Constitution to force a state to relinquish its Eleventh Amendment immunity as a condition of participating in a field subject to congressional regulation.¹⁹ In order to address this contention, we turn first to the Supreme Court's decision in *Pennsylvania v. Union Gas*, 491 U.S. 1, 105 L. Ed. 2d 1, 109 S. Ct. 2273 (1989), which was expressly overruled by *Seminole Tribe*.

In *Union Gas*, a sharply divided Supreme Court found that Congress had the authority to abrogate States' Eleventh Amendment immunity when it enacted the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"). In the *Union Gas* plurality opinion, written by Justice Brennan, four members of the Court concluded that Congress has the authority to override States'

¹⁹ Of course, it would make no sense for Congress to impose a *Parden*-type waiver pursuant to Section 5 of the Fourteenth Amendment because Congress could utilize this same source of legislative power to eliminate immunity, making a finding of waiver unnecessary.

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immunity when legislating pursuant to the Interstate Commerce Clause. 491 U.S. at 19. In Part III of its opinion, the plurality reasoned from language in *Parden* and *Employees* that "the power to regulate commerce includes the power to override States' immunity from suit" *Id.* at 14-15.

The deciding vote on the constitutional issue was cast by Justice White, who was somewhat less than clear about exactly what his concurrence meant. Justice White spent several pages explaining in partial dissent why he did not believe the statute clearly expressed a Congressional intent to abrogate the State's immunity, a position joined by three other Justices. Then, in part II of his concurrence, he devoted one short paragraph to the constitutional issue, saying only that "I agree with the conclusion reached by Justice Brennan in Part III of his opinion, that Congress has the authority under Article I to abrogate the Eleventh Amendment immunity of the States, although I do not agree with much of his reasoning." *Id.* at 57 (White, J., concurring in the judgment in part and dissenting in part).

Justice Scalia cast the deciding vote on the statutory construction issue, agreeing with Brennan's plurality opinion that the Congressional language at issue was sufficiently clear to override a state's Eleventh Amendment immunity assuming the authority to do so. *Id.* at 29 (Scalia, J., concurring in part and dissenting in part). However, joined by three other Justices, he dissented as to Congress's authority to abrogate when legislating pursuant to the Commerce Clause, lamenting that "instead of cleaning up the muddled Eleventh Amendment jurisprudence produced by *Hans*, the Court leaves that in place, and adds to the clutter the astounding principle that Article III limitations can be overcome by simply exercising

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Article I powers." *Id.* at 44-45 (Scalia, J., concurring in part and dissenting in part).

Moreover, Justice Scalia, who formed part of the majority in *Seminole Tribe*,²⁰ argued that even viewing *Parden* as a waiver case could not save it from constitutional infirmity under the analysis that eventually triumphed in *Seminole Tribe*:

It remains for me to consider whether the doctrine of waiver applies here. . . . *Parden* is the only case in which we have held that the Federal Government can demand, as a condition to its permission of state action regulable under the Commerce Clause, the waiver of state sovereign immunity. Two terms ago, in *Welch*, we overruled *Parden* insofar as that case spoke to the clarity of language necessary to constitute such a demand. . . . We explicitly declined to address, however, the continued validity of *Parden's* holding that the Commerce Clause provided the constitutional power to make such a demand I would drop the other shoe.

There are obvious and fatal difficulties in acknowledging such a power if no Commerce Clause power to abrogate state sovereign immunity exists. All congressional creations of private rights of action attach recovery to the defendant's commission of some act, or possession of some status, in a field where Congress has authority to regulate conduct. Thus, all federal prescriptions are, insofar as their prospective application is concerned, in a sense conditional, and – to the extent that the

²⁰ This portion of Justice Scalia's opinion was joined by Chief Justice Rehnquist, Justice O'Connor, and Justice Kennedy

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objects of the prescriptions consciously engage in the activity or hold the status that produces liability — can be redescribed as invitation to “waiver.” At bottom, then, to acknowledge that the Federal Government can make the waiver of state sovereign immunity a condition to the State’s action in a field that Congress has authority to regulate is substantially the same as acknowledging that the Federal Government can eliminate state sovereign immunity in the exercise of its Article I powers — that is, to adopt the very principle I have just rejected. There is little more than a verbal distinction between saying that Congress can make the Commonwealth of Pennsylvania liable to private parties for hazardous-waste cleanup costs on sites that the Commonwealth owns and operates, and saying the same thing but adding at the end “if the Commonwealth chooses to own and operate them.” If state sovereign immunity has any reality, it must mean more than this.

Id. at 42–44 (Scalia, J., concurring in part and dissenting in part) (emphasis added).

When *Union Gas* is read in light of *Seminole Tribe*, wherein the Supreme Court overruled the principle that Congress may abrogate Eleventh Amendment immunity pursuant to its Article I powers, see *Seminole Tribe*, 116 S. Ct. at 1131, it is clear, by implication, that Congress may not employ its Article I powers to condition a state’s participation in a particular market or industry on that state’s waiver of its Eleventh Amendment immunity. See *id.* at 1128 (“As the dissent in *Union Gas* recognized, the plurality’s conclusion — that Congress could under Article I expand the scope of the federal courts’ jurisdiction under Article III — ‘contradicted our

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unvarying approach to Article III as setting forth the exclusive catalog of permissible federal court jurisdiction.’”) (quoting *Union Gas*, 491 U.S. at 39) (Scalia, J., concurring in part and dissenting in part)).

As the *Union Gas* Court noted, *Parden* was based on the conclusion that “the States surrendered a portion of their sovereignty when they granted Congress the power to regulate commerce,” and that “by empowering Congress to regulate commerce, . . . the States necessarily surrendered any portion of their sovereignty that would stand in the way of such regulation.” 491 U.S. at 14 (quoting *Parden*, 377 U.S. at 191, 192). This theory of surrender, however, has been explicitly rejected by the Court in *Seminole Tribe*. Indeed, the *Seminole Tribe* Court stated, in no uncertain terms, that “the Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction.” 116 S. Ct. at 1131–32. It necessarily follows, therefore, that *Parden*’s underpinnings are no longer viable. Congress cannot achieve indirectly, through “waiver,” what it cannot do directly, through express abrogation. “If state sovereign immunity has any reality, it must mean more than this.” *Union Gas*, 491 U.S. at 44 (Scalia, J., concurring in part and dissenting in part). Thus, we conclude that *Parden* has been overruled by implication by *Seminole Tribe* to the extent that *Parden* held that Congress, acting pursuant to the powers conferred upon it in Article I of the Constitution, may explicitly condition a state’s participation

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in a particular market on its waiver of immunity from suit.²¹ Accordingly, the *Parden* doctrine cannot apply to eliminate Florida Prepaid's immunity under the Eleventh Amendment.

E. ABROGATION

Lastly, we consider the argument that Congress has abrogated the States' Eleventh Amendment immunity when amending the Patent Act and the Lanham Act. When determining whether Congress has abrogated the States' Eleventh Amendment immunity, we must conduct a two-part inquiry: "first, whether Congress has 'unequivocally expressed its intent to abrogate the immunity,' and second, whether Congress has acted 'pursuant to a valid exercise of power.'" *Seminole Tribe*, 116 S. Ct. at 1123 (quoting *Green v. Mansour*, 474 U.S. 64, 68, 88 L. Ed. 2d 371, 106 S. Ct. 423 (1985)). Thus, we must consider each of these questions in turn.

1. Unequivocal Expression of Intent to Abrogate Immunity

"Congress' intent to abrogate the States' immunity from suit must be obvious from 'a clear legislative statement.'" 116 S. Ct. at 1123 (quoting *Blatchford v. Native Village of Noatak*

²¹ The Government incorrectly asserts that "the Supreme Court has referred favorably to the waiver aspect of *Parden*" in *Seminole Tribe*. Intervenor's Brief at 9. The basis for this assertion is the rather offhand observation that *Parden* represents "the unremarkable . . . proposition that the States may waive their sovereign immunity." *Seminole Tribe*, 116 S. Ct. at 1128. However, when this comment is read in light of *Seminole Tribe*'s holding that the bounds of Article III may only be expanded by Congress when it enacts appropriate legislation pursuant to § 5 of the Fourteenth Amendment, it is clear that the Court's passing reference to *Parden* can only mean that actual, deliberate waiver by a state remains possible. The Court was careful not to endorse the mechanism for waiver created by *Parden*, that is, the congressional regulatory approach.

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and *Circle Village*, 501 U.S. 775, 786, 115 L. Ed. 2d 686, 111 S. Ct. 2578 (1991)). "A general authorization for suit in federal court is not the kind of unequivocal statutory language sufficient to abrogate the Eleventh Amendment." *Atascadero State Hosp.*, 473 U.S. at 246; accord *Blatchford*, 501 U.S. at 786 n.4 ("The fact that Congress grants jurisdiction to hear a claim does not suffice to show Congress has abrogated all defenses of that claim."). Thus, "Congress may abrogate the States' constitutionally secured immunity from suit in federal court only by making its intention unmistakably clear in the language of the statute." *Dellmuth v. Muth*, 491 U.S. 223, 227-28, 105 L. Ed. 2d 181, 109 S. Ct. 2397 (1989); see also *Welch*, 483 U.S. at 474.

a. Abrogation of Immunity Under the Patent and Plant Variety Protection Remedy Clarification Act

The Patent and Plant Variety Protection Remedy Clarification Act, Pub.L. No. 102-560, 106 Stat. at 4230, which amended the Patent Act, provides:

Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or non-governmental entity, for infringement of a patent . . . or for any other violation under this title.

Pub.L. No. 102-560, § 2(a)(2), 106 Stat. at 4230 (codified at 35 U.S.C. § 296(a)). This language is even clearer than that which the Supreme Court recently found sufficient in *Seminole Tribe*, where the statute did not explicitly refer to

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the Eleventh Amendment. See *Seminole Tribe*, 116 S. Ct. at 1123-24. Thus, the Patent Act provision challenged here is more than clear enough to abrogate the States' Eleventh Amendment immunity for suit thereunder in federal court. See *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 941-42 (Fed. Cir. 1993) (finding that the current Patent Act is sufficiently clear to abrogate state immunity), *cert. denied sub. nom. Regents of Univ. of Ca. v. Genentech, Inc.*, 510 U.S. 1140, 127 L. Ed. 2d 434, 114 S. Ct. 1126 (1994)).

b. Abrogation of Immunity Under the 1992 Trademark Remedy Clarification Act

The 1992 Trademark Remedy Clarification Act, Pub.L. 102-542, 106 Stat. 3567 (1992), which amended the Lanham Act, provides:

As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the same provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

Pub.L. No. 102-542, 106 Stat. 3567 (1992). This language is also an unequivocal expression of Congress's intent to abrogate the Eleventh Amendment. See *Chavez v. Arte Publico Press*, 59 F.3d 539, 546 (5th Cir. 1995) (noting that the Lanham Act was "recently amended to express Congress's intent to abrogate State immunity from suit . . ."), *cert. granted and judgment vacated sub nom. Univ. of Houston v. Chavez*, 134 L. Ed. 2d 772, 116 S. Ct. 1667, *cert. denied*, 134 L. Ed. 2d 776, 116 S. Ct. 1672 (1996).

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2. Abrogation Made Under a Proper Exercise of Authority

Because Congress clearly and unequivocally expressed its intention to abrogate Eleventh Amendment immunity both under the Patent Act and the Lanham Act, the Court must next consider whether this abrogation was done under a proper exercise of Congress's authority. As noted above, after *Seminole Tribe*, the only remaining authority for Congressional abrogation of the States' immunity is the enforcement provision of the Fourteenth Amendment. 116 S. Ct. at 1128.

Section 5 of the Fourteenth Amendment provides that "Congress shall have the power to enforce, by appropriate legislation, the provisions of this article." U.S. CONST. amend. XIV, § 5. The Thirteenth, Fourteenth and Fifteenth Amendments "were specifically designed as an expansion of federal power and an intrusion on state sovereignty." *City of Rome v. United States*, 446 U.S. 156, 179, 64 L. Ed. 2d 119, 100 S. Ct. 1548 (1980).

The Supreme Court first considered the meaning of Section 5 in *Ex parte Virginia*, 100 U.S. (10 Otto) 339, 25 L. Ed. 676 (1879). There, the Court upheld the constitutionality of an act prohibiting the disqualification of grant or petit jurors on account of race. *Id.* at 345-46. The Court declined to read narrowly the power granted by Section 5:

Whatever legislation is appropriate, that is, adapted to carry out the objects the amendments have in view, whatever tends to enforce submission to the prohibitions they contain, and to secure to all persons the enjoyment of perfect equality of civil rights and the equal protection of the laws against

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State denial or invasion, if not prohibited, is brought within the domain of congressional power.

Id.

The civil rights legislation of the 1960s again raised questions regarding the power of Congress under the Civil Rights Amendments. In *Katzenbach v. Morgan*, 384 U.S. 641, 648, 16 L. Ed. 2d 828, 86 S. Ct. 1717 (1966), the Court rejected the argument that under Section 5 Congress could only prohibit acts that would violate the substantive provisions of the Fourteenth Amendment. Referring to *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 421, 4 L. Ed. 579 (1819), the Court held that the inquiry into what is "appropriate legislation" under Section 5 is whether the statute "may be regarded as an enactment to enforce [the Fourteenth Amendment], whether it is 'plainly adapted to that end' and whether it is not prohibited by but is consistent with 'the letter and spirit of the constitution.'" 384 U.S. at 651.

Congress has the power to enforce all the provisions of the Fourteenth Amendment, not just the Equal Protection Clause. *United States v. Price*, 383 U.S. 787, 789 & n.2, 16 L. Ed. 2d 267, 86 S. Ct. 1152 (1966) (noting that Section 5 empowers Congress to enforce "every right guaranteed by the Due Process Clause of the Fourteenth Amendment"); *Flores v. City of Boerne*, 73 F.3d 1352, 1358 (5th Cir.), cert. granted, 117 S. Ct. 293 (1996) (same); see also CONG. GLOBE, 42d Cong., 1st Sess. App. at 83 (1871) ("The Fourteenth Amendment closes with the words, 'the Congress shall have power to enforce, by appropriate legislation, the provisions of this article' - the whole of it, sir; all of the provisions of the article; every section of it.") (statement of Rep. Bingham). "We reject the notion that there is any relevant hierarchy of constitutional rights within

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the Fourteenth Amendment."²² *Flores*, 73 F.3d at 1358 (citing *Caplin & Drysdale, Chartered v. United States*, 491 U.S. 617, 628, 105 L. Ed. 2d 528, 109 S. Ct. 2646, 109 S. Ct. 2667 (1989)).

While Congress's enforcement power is broad, however, the Court in *Oregon v. Mitchell*, 400 U.S. 112, 27 L. Ed. 2d 272, 91 S. Ct. 260 (1970), pointed out that it is not unlimited:

As broad as the congressional enforcement power is, it is not unlimited. Specifically, there are at least three limitations upon Congress' power to enforce the guarantees of the Civil War Amendments. First, Congress may not by legislation repeal other provisions of the Constitution. Second, the power granted to Congress was not intended to strip the States of their power to govern themselves or to convert our national government of enumerated powers into a central government of unrestrained authority over every inch of the whole Nation. Third, Congress may only "enforce" the provisions of the amendments and may do so only by "appropriate legislation." Congress has no power under the enforcement sections to undercut the amendments' guarantees of personal equality and freedom from discrimination, or to undermine those

²² Thus, to the extent that Florida Prepaid argues that the Fourteenth Amendment must be restricted to its historical motivation, this argument must be rejected. See *Flores*, 73 F.3d at 1358. But cf. *Wilson-Jones v. Caviness*, 99 F.3d 203, 210 (6th Cir. 1996) ("Examining the FLSA itself, there is no sufficiently strong logical connection between the aim of the act - to increase the wages and shorten the hours of certain employees - and central, obvious Fourteenth Amendment concerns.").

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protections of the Bill of Rights which we have held the Fourteenth Amendment made applicable to the States.

Id. at 128-29 (opinion of Black, J.). Cf. *Wilson-Jones*, 99 F.3d at 209 ("It is clear to us that these three Katzenbach factors cannot be kept so permissive as to make them collapse into the 'rationally related' test generally used for the enforcement clauses of the other constitutional amendments. . . . If we were to say that an act is valid if it is rationally related to achieving equal protection of the laws, then § 5 becomes a license to Congress to pass any sort of legislation whatsoever.").

a. Patent Act

Whether a statute is "appropriate legislation" for enforcing the Fourteenth Amendment is subject to a deferential standard. "Correctly viewed, [Section 5 of the Amendment] is a positive grant of legislative power authorizing Congress to exercise its discretion in determining whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment." *Katzenbach*, 384 U.S. at 651. Thus, if rights protected by the Patent Act are correctly considered "property," legislation making the states liable in federal court for violating that statute would "plainly" be "appropriate" for enforcing the Fourteenth Amendment. See *id.* The ultimate constitutional issue in this case is, therefore, whether the interests sought to be protected by the

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Patent Act are "property" for purposes of the Fourteenth Amendment.²³

"That a patent is property, protected against appropriation both by individuals and by government, has long been settled." *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415, 89 L. Ed. 322, 65 S. Ct. 373 (1945); *Jacobs Wind Elec. Co. v. Dep't of Transp.*, 626 So. 2d 1333, 1337 (Fla. 1993). The common law protects patents as property rights, and patents have traditionally been classified as one form of "intellectual property." See *Markman v. Westview Instruments, Inc.*, 134 L. Ed. 2d 577, 116 S. Ct. 1384, 1390-92 (1996) (discussing common law of patent enforcement). Indeed, the Patent Act explicitly recognizes that

²³ The legislative history of the Patent Act amendments states that they were enacted under the Commerce Clause, the Patent Clause and the Fourteenth Amendment. See S. Rep. No. 102-280, 102d Cong., 2d Sess. 7-8 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3093-94. Although such a recitation of authority may be helpful in interpreting legislation, it is not required for its validity. See *F.C.C. v. Beach Communications, Inc.*, 508 U.S. 307, 315, 124 L. Ed. 2d 211, 113 S. Ct. 2096 (1993) (Court "never require[s] a legislature to articulate its reasons for enacting a statute"). Nor is a statute necessarily rendered invalid when Congress gratuitously recites its bases, and one or more of those bases turns out to be improper: If federal legislation can be upheld as an exercise of federal power under any provision of the Constitution, the courts are bound to uphold it. See *Usery v. Allegheny County Inst. Dist.*, 544 F.2d 148, 155 (3d Cir. 1976), cert. denied sub nom. *Allegheny County Inst. Dist. v. Marshall*, 430 U.S. 946, 51 L. Ed. 2d 793, 97 S. Ct. 1582 (1977). For the same reasons, that a statute was originally enacted under one provision of the Constitution should not foreclose relying on a different provision to enact an amendment to the statute--whether or not the amendment itself refers to that provision. See *Ramirez v. Puerto Rico Fire Serv.*, 715 F.2d 694, 698 (1st Cir. 1983) ("The omission of any ritualistic incantation of powers by the Congress is not determinative, for there is no requirement that the statute incorporate buzz words such as 'Fourteenth Amendment' or 'section 5' . . .").

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patents "have the attributes of personal property." 35 U.S.C. § 261; see also *Carl Schenck, A.G. v. Nortron Corp.*, 713 F.2d 782, 786 n.3 (Fed. Cir. 1983) ("The patent right is but the right to exclude others, the very definition of 'property.'").

In *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599 (Fed. Cir. 1985), for example, the plaintiffs alleged that certain procedures of the Patent and Trademark Office violated the Fifth Amendment, which, like the Fourteenth Amendment, forbids the government from depriving persons of property without due process of law. *Id.* at 596. Although the court ultimately rejected the challenge, it began by observing that the constitutional provision did apply:

It is beyond reasonable debate that patents are property. In *Consolidated Fruit-Jar Co. v. Wright*, [94 U.S. (4 Otto) 92, 24 L. Ed. 68] (1876) the Supreme Court stated:

a patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions.

758 F.2d at 599.

Furthermore, the unlicensed use of a patented invention by the United States constitutes an uncompensated taking of the patentee's property, in violation of the Fifth Amendment. See *James v. Campbell*, 104 U.S. 356, 357-58, 26 L. Ed. 786 (1881) (equating invention patent with land patent for purposes of takings clause); *Genentech, Inc. v. Regents of Univ. of Cal.*, 939 F. Supp. 639, 643 (S.D. Ind. 1996) ("[a] patent is a protectable property right and to permit [a] State to infringe that property right without redress for the patent owner would deprive [the] owner of property without due

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process of law."); see also *Hughes Aircraft Co. v. United States*, 86 F.3d 1566, 1571 (Fed. Cir. 1996); accord *Jacobs Wind Elec. Co.*, 626 So. 2d at 1337 (because a patent is property, the holder can assert takings and conversion claims).

Notwithstanding this precedent, Florida Prepaid raises several unpersuasive arguments why the Fourteenth Amendment cannot justify the statute challenged here. Specifically, defendant contends that: (1) the Fourteenth Amendment can only be used to remedy "insidious discrimination"; (2) the states did not relinquish immunity for patent actions by ratifying the Fourteenth Amendment; (3) the Fourteenth Amendment does not require compensation for merely negligent conduct; and (4) the Supreme Court's decision in *Seminole Tribe* forecloses reliance on the Fourteenth Amendment to abrogate state immunity under this statute. These arguments will be addressed *seriatim*.

Defendant first argues that the Fourteenth Amendment can be used only to remedy the kind of "insidious discrimination" against the newly-freed slaves that prompted its adoption. See Defendant's Patent Brief at 16; Defendant's Patent Reply Brief at 11, 16. However, the language of the Amendment reaches far beyond that original objective, and the Supreme Court has repeatedly applied it, according to its terms, outside the context of civil rights. See, e.g., *Tulsa Professional Collection Servs., Inc. v. Pope*, 485 U.S. 478, 485, 99 L. Ed. 2d 565, 108 S. Ct. 1340 (1988) (creditor's right to notice from debtor's estate); *Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532, 538-39, 84 L. Ed. 2d 494, 105 S. Ct. 1487 (1985) (right to continued employment); *Mennonite Bd. of Missions v. Adams*, 462 U.S. 791, 798-800, 77 L. Ed. 2d 180, 103 S. Ct. 2706 (1983) (mortgagee's right to notice before tax sale of mortgaged realty); *Mathews v.*

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Eldridge, 424 U.S. 319, 332, 47 L. Ed. 2d 18, 96 S. Ct. 893 (1976) (right to continued receipt of disability benefits). Indeed, if defendant were correct that the Fourteenth Amendment must be restricted to its historical motivation, then the Amendment could be used only to prevent discrimination on the basis of race and not on any other basis, such as gender or national origin. See *Slaughter-House Cases*, 83 U.S. (16 Wall.) 36, 71-72, 21 L. Ed. 394 (1872).

Second, Florida Prepaid contends that the states could not have relinquished immunity for patent actions by ratifying the Fourteenth Amendment, because they had already surrendered "all power over patents" in ratifying Article I of the Constitution. See Defendant's Patent Brief at 9. Defendant misses the point. Although the states, through Article I, relinquished the power to grant patents, they did not thereby surrender their immunity against federal suit for depriving persons of property without due process of law. See U.S. CONST. art. I, § 8, cl. 8. This they did surrender, however, in ratifying the Fourteenth Amendment.

Third, defendant points out that patent infringement is a tort for which the patentee need not prove specific intent, whereas the Fourteenth Amendment does not require compensation for merely negligent conduct. See Defendant's Patent Brief at 12-14 (citing *Daniels v. Williams*, 474 U.S. 327, 88 L. Ed. 2d 662, 106 S. Ct. 662 (1986) (rejecting prisoner's Fourteenth Amendment claim for injury caused by deputy's negligent placement of pillow)). The principal weakness of this argument is that CSB's patent infringement action does not seek compensation for a violation of the Fourteenth Amendment. The issue here is not whether the defendant committed a constitutional tort, but whether, in enacting "appropriate legislation" to enforce the Fourteenth

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Amendment, Congress can make the states amenable to suit in federal court for allegedly violating certain property rights. Moreover, Congress's enforcement power under Section 5 is not, in fact, limited to intentional violations, but includes actions that have only the effect (but not the intent) of violating the Fourteenth Amendment. See *Flores*, 73 F.3d at 1359-60.²⁴

Finally, in an effort to avoid the conclusion that the challenged provisions of the Patent Act are valid exercises of Fourteenth Amendment power, Florida Prepaid asserts that the Supreme Court's decision in *Seminole Tribe* forecloses reliance on the Fourteenth Amendment to abrogate state immunity under this statute. Specifically, defendant (1) relies on a passage from Justice Stevens' dissenting opinion in *Seminole Tribe* and on the majority's supposed response to that passage; (2) contends that *Seminole Tribe*'s overruling of a prior decision (*Union Gas*) also overruled dictum in that earlier decision; and (3) asserts that the Fourteenth Amendment does not give Congress power to abrogate state immunity for violations of the Patent Act because *Seminole Tribe* fails to say that it does.

First, Florida Prepaid attempts to deduce support from the statement of a dissenting Justice in *Seminole Tribe*, coupled with the majority's partial reaction to that statement. In an opinion in which no other Justice joined, Justice Stevens stated that the Court's decision would "prevent[] Congress from providing a federal forum for a broad range of actions against States, from those sounding in copyright and patent law, to those concerning bankruptcy, environmental law, and the regulation of our vast national

²⁴ In any event, the plaintiff here alleges that defendant is infringing plaintiff's patent "willfully." See Patent Compl. ¶ 7.

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economy." *Seminole Tribe*, 116 S. Ct. at 1134 (Stevens, J., dissenting). Florida Prepaid contends that "the majority did not dispute" this statement, *see* Defendant's Patent Brief at 11, 14; indeed, relying on a footnote in the majority opinion, defendant goes so far as to say that "the majority agreed that the decision would prevent patent suits against the states." *Id.* at 14 (emphasis added) (citing *Seminole Tribe*, 116 S. Ct. at 1131 n.16).

Nothing of the sort follows from *Seminole Tribe*. To begin with, the footnote to which defendant refers says nothing about the Patent Act: "Justice Stevens understands our opinion to prohibit federal jurisdiction over suits to enforce the bankruptcy, copyright, and antitrust laws against the States." *See Seminole Tribe*, 116 S. Ct. at 1131 n.16. Furthermore, the majority's footnote does not actually respond to Justice Stevens's statement as to the effect of the Court's holding on other statutes. Rather, it only attempts to undercut the impact of Justice Stevens's contention, based partly on the fact that the statutes referred to did not expressly abrogate state immunity. *See id.* The 1992 amendments to the Patent Act, however, have removed any doubt in that regard as far as this statute is concerned. The Court's failure to respond to Justice Stevens's assertion does not, contrary to defendant's argument, manifest - an "indifference to constitutional doctrine" of the part of the majority. *See* Defendant's Patent Reply Brief at 8. Rather, the Court frequently leaves unanswered questions that are suggested by the facts but not presented for decision - including questions that dissenting and concurring opinions attempt to answer. *See, e.g., McNeal v. Culver*, 365 U.S. 109, 117, 5 L. Ed. 2d 445, 81 S. Ct. 413 (1961) ("The question treated in the separate concurring opinion only lurks in the record, as it was not raised, briefed or argued here, and therefore we do not reach or express any views upon it.").

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Defendant also contends that *Seminole Tribe* forecloses reliance on the Fourteenth Amendment because the Court's earlier decision in *Union Gas* had observed that the Fourteenth Amendment gave Congress power to abrogate state immunity, and *Seminole Tribe* expressly overruled *Union Gas*. *See* Defendant's Patent Brief at 13; *see also Union Gas*, 491 U.S. at 15-16. The passage from *Union Gas* to which defendant refers, however, merely recited a proposition that had been established by other decisions and that, particularly in light of *Seminole Tribe*, remains valid today. *See Union Gas*, 491 U.S. at 7 (citing *Atascadero State Hosp.*, 473 U.S. at 242); *see also Fitzpatrick*, 427 U.S. at 456. *Seminole Tribe* only overruled the holding in *Union Gas*, which was that Congress could not abrogate state immunity under the Commerce Clause. *See Seminole Tribe*, 116 S. Ct. at 1128; *Union Gas*, 491 U.S. at 19-20.

Finally, Florida Prepaid suggests that if the Fourteenth Amendment gave Congress power to abrogate state immunity for violations of the Patent Act, then the Supreme Court would surely have said so in *Seminole Tribe*. *See* Defendant's Patent Brief at 12-13. Under American jurisprudence, however, the opposite is true. There was no reason for the Court to comment on the authority for abrogating immunity under a statute that was not before the Court. *See Seminole Tribe*, 116 S. Ct. at 1125 (petitioner did not challenge appellate court's conclusion that statute was not enacted pursuant to the Fourteenth Amendment). To do otherwise would have been to issue an advisory opinion. *See Preiser v. Newkirk*, 422 U.S. 395, 401, 45 L. Ed. 2d 272, 95 S. Ct. 2330 (1975) (lack of power to render advisory opinions). Accordingly, *Seminole Tribe* does not foreclose reliance on the Fourteenth Amendment.

In sum, a patent is "property" for purposes of the Fourteenth Amendment, and Congress can, under that

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Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act. Moreover, Congress has the power to enforce all of the provisions of the Fourteenth Amendment, including the Due Process Clause. It necessarily follows, therefore, that Congress may, pursuant to Section 5 of the Fourteenth Amendment, enact appropriate legislation to make states amenable to suit in federal court for allegedly depriving patentees of their patent property without compensation and without due process of law. Accordingly, this Court finds that the Patent Act amendments, which abrogate the States' Eleventh Amendment immunity, are "appropriate legislation" under Section 5 of the Fourteenth Amendment. As such, defendant's motion to dismiss is denied.

b. Lanham Act

The final issue before this Court is whether the interests sought to be protected by the "false advertising prong" of the Lanham Act are "property" for purposes of the Fourteenth Amendment.²⁵ See *Katzenbach*, 384 U.S. at 651. As

²⁵ The false advertising prong of the Lanham Act is separate and distinct from the trademark infringement prong. See, e.g., *Stanfield v. Osborne Indus.*, 52 F.3d 867, 873 (10th Cir.) (finding "two distinct bases of liability under [15 U.S.C.] section 1125"), *cert. denied*, 133 L. Ed. 2d 217, 116 S. Ct. 314 (1995); *Agee v. Paramount Communications, Inc.*, 853 F. Supp. 778, 790 (S.D.N.Y. 1994) (noting that "section 43(a) [of the Lanham Act] provides two distinct causes of action"), *rev'd on other grounds*, 59 F.3d 317 (1995).

In the present matter, the Lanham Act claims brought against Florida Prepaid are complaints about alleged false advertising:

This action for false advertising and unfair competition arises under the trademark laws of the United States, 15 U.S.C. §§ 1051 *et seq.*, and the common law of unfair competition, and concerns material misrepresentations made in connection with the advertising and promotion of the Florida Prepaid College Program.

Lanham Act Compl. ¶ 1. CSB has not asserted any claims for trademark infringement.

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a threshold matter, however, we must first determine what interests are protected by this prong of the Lanham Act.²⁶

The Lanham Act was enacted "to protect persons engaged in such commerce against unfair competition." 15 U.S.C. § 1127; see *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1382 (5th Cir. 1996). Section 43(a) of the Lanham Act provides in relevant part that:

Any person who . . . in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or another person's goods, services, or commercial activities shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a).

Thus, the text of the statute makes clear that the false advertising prong of Section 43(a) is "designed to protect the right of the consumer to be told the truth." 3 MCCARTHY ON TRADEMARKS § 27.04[1][b] at 27-39); *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 619 F. Supp. 1204, 1218 (D.N.J. 1985) (same); see also *Castrol, Inc. v. Pennzoil Co.*, 987 F.2d 939 (3d Cir. 1993) ("Because honesty and fair play are prominent arrows in America's quiver of commercial and personal ideals, Congress enacted Section 43(a) of the Lanham Act 'to stop the kind of unfair competition that consists of lying about goods or services.'"). "That is, 'Quite clearly, the Congressional intention was to allow a private suit by a competitor to stop the kind of unfair competition

²⁶ The legislative history of the Lanham Act amendments states that they were enacted under the Commerce Clause and the Fourteenth Amendment. See S. Rep. No. 102-280, 102d Cong., 2d Sess. 7-8 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3093-94.

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that consists of lying about goods or services, when it occurs in interstate commerce." 3 MCCARTHY ON TRADEMARKS § 27.04[1][b] at 27-39 (citing *Skil Corp. v. Rockwell Int'l Corp.*, 375 F. Supp. 777, 784 (N.D. Ill. 1974)).

Having determined that the false advertising prong of the Lanham Act essentially protects the "right to be free from false advertising," we now must ask whether this right is "property" for purposes of the Fourteenth Amendment. Clearly it is not. An interest in being free from alleged false advertising simply does not qualify as a property right for purposes of the Due Process Clause of the Fourteenth Amendment, or indeed for any other purpose.²⁷ However laudable Congress's purpose may be, see *Coca-Cola Co. v. Procter & Gamble Co.*, 822 F.2d 28, 31 (6th Cir. 1987), the false advertising prong of the Lanham Act does not implicate any of the substantive guarantees of the Fourteenth Amendment, and therefore cannot be the basis for the abrogation of Eleventh Amendment immunity.

Moreover, none of the cases cited by plaintiff, see CSB's Lanham Act Brief at 33-36, holds that the "right" to be free from a competitor's alleged false advertising constitutes a property right.²⁸ *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649 (3d Cir. 1954), did not involve simple false advertising of the type alleged here, but rather a claim that the defendant had used a picture of the plaintiff's dress in its promotions. See *id.* at 649-50. Moreover, the opinion of

²⁷ We have uncovered no precedent, federal or state, even discussing whether the right to be free of unfair competition is "property."

²⁸ General discussions of "the Lanham Act" or "unfair competition" are insufficient. This case involves only a claim for false advertising by a competitor, not the other varieties of Lanham Act infringement claims or unfair competition claims that plaintiff's cases consider.

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the Third Circuit said nothing about any property rights. Similarly, in *AT & T v. Winback & Conserve Program, Inc.*, 42 F.3d 1421 (3d Cir. 1994), *cert. denied*, 131 L. Ed. 2d 757, 115 S. Ct. 1838 (1995), the court noted, "AT & T's allegations are an amalgam of a classic section 43(a) claim alleging misuse of a mark, a claim of false advertising pursuant to 15 U.S.C. § 1125(a)(2), and a claim of passing off." *Id.* at 1428 n.9. Again, even in the language quoted by CSB, see CSB's Lanham Act Brief at 34-35, the court mentioned only causes of action for unfair competition, and said nothing about "property."

Plaintiff's reference to *SK & F Co. v. Premo Pharmaceutical Lab., Inc.*, 625 F.2d 1055 (3d Cir. 1980) is also unavailing. *SK & F Co.*, the court was a trade dress case in which the defendant allegedly used the same color for its pills as the plaintiff manufacturer did. See *id.* at 1057-59. The court discussed the tort of unfair competition, but said nothing about property rights. Moreover, *International News Service v. Associated Press*, 248 U.S. 215, 63 L. Ed. 211, 39 S. Ct. 68 (1918), did not involve false advertising, but rather infringement so severe that it amounted to theft. The defendant was accused of "pirating" the plaintiff's news stories through illegal copying, the bribing of employees, and other nefarious means. See *id.* at 231. Finally, the right of publicity, whether of a "human cannonball" or not, see *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 53 L. Ed. 2d 965, 97 S. Ct. 2849 (1977), has nothing to do with the instant case. Florida Prepaid is alleged to have made misleading statements about its own program, not to have misappropriated some element of plaintiff's product. Thus, *Zacchini* is also inapposite.

Finally, we are unaware of any authority suggesting that Congress may, by simple fiat, abruptly declare that a simple

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statutory cause of action, which traditionally has not been understood to involve any kind of property, now encompasses a "property right" to which the Fourteenth Amendment applies. Indeed, if Congress has such power, it could easily "reverse" the outcome in *Seminole Tribe* by inserting into some staff report a reference regarding the importance of using the Fourteenth Amendment to protect the "right" to have a state negotiate over a gaming compact. To quote Justice Scalia, "If state sovereign immunity has any reality, it must mean more than this." *Union Gas*, 491 U.S. at 44 (concurring in part and dissenting in part).

We conclude by reiterating that this case does not involve property that Congress may protect under the Fourteenth Amendment. Congress has no power, under the Fourteenth Amendment or any other provision of the Constitution, to strip the states of their Eleventh Amendment immunity and subject them to suits in federal court for false advertising. Accordingly, the Trademark Remedy Clarification Act is unconstitutional as applied in this case, and plaintiff's Lanham Act Claim must be dismissed for lack of subject matter jurisdiction. Furthermore, because there has been no suggestion that Florida Prepaid's Eleventh Amendment immunity has been - or could be - stripped with respect to CSB's common law unfair competition claim, this claim must also fail and plaintiff's Lanham Act Complaint is dismissed in its entirety.

III. CONCLUSION

For the foregoing reasons, the Court will: (1) deny defendant's motion to dismiss plaintiff's Patent Act Claim; (2) grant defendant's motion to dismiss plaintiff's Lanham Act Claim; and (3) dismiss plaintiff's Lanham Act Complaint in its entirety. An appropriate Order is filed herewith.

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ORDER

For the reasons set forth in this Court's Memorandum Opinion,

IT IS this 13th day of DECEMBER, 1996

ORDERED that defendant's motion to dismiss plaintiff's Patent Infringement Claim (Civ. No. 94-5610) pursuant to FED. R. CIV. P. 12(h)(3) be and is hereby DENIED; and it is further ORDERED that defendant's motion to dismiss plaintiff's Lanham Act Claim (Civ. No. 95-4516) be and is hereby GRANTED; and it is further

ORDERED that plaintiff's Lanham Act Complaint (Civ. No. 95-4516) be and is hereby DISMISSED in its ENTIRETY.

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Supreme Court, U. S.

FILED

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No. 98-531

IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**BRIEF IN OPPOSITION FOR RESPONDENT
COLLEGE SAVINGS BANK**

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COUNTERSTATEMENT OF QUESTION PRESENTED

Does Congress have constitutional authority under § 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the States and prevent them from depriving patent owners of their patent property without due process of law and just compensation by enacting legislation that provides patent owners with a remedy in the form of an action for patent infringement against the States in the federal courts under § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), 35 U.S.C. §§ 271(h) and 296?

STATEMENT OF INTERESTED PARTIES

The interested parties are identified correctly in the "Statement of Interested Parties" that appears at page *ii* of Petitioner Florida Prepaid Postsecondary Education Expense Board's "Petition for Writ of Certiorari."

Respondent College Savings Bank does not have a parent corporation and has only one subsidiary, a wholly-owned subsidiary known as College Savings Trust located in Helena, Montana.

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ADDITIONAL CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, Section 8, Clause 5 provides that:

The Congress shall have power . . .

* * *

[t]o coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures . . .

The Fifth Amendment of the United States Constitution provides, in pertinent part:

[N]or shall private property be taken for public use, without just compensation.

28 U.S.C. § 1338(a) provides that:

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

28 U.S.C. § 1404(a) provides that:

For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.

28 U.S.C. § 2201 provides, in pertinent part:

(a) In a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the

filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2202 provides that:

Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment.

35 U.S.C. § 284 provides that:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

35 U.S.C. § 285 provides that:

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

INTRODUCTION

Section 1 of the Fourteenth Amendment provides in part that: "No State shall . . . deprive any person of life, liberty, or property, without due process of law." Section 5 states that: "Congress shall have the power to enforce, by appropriate legislation, the provisions of this article."

In the courts below, Petitioner Florida Prepaid Postsecondary Education Expense Board ("Florida Prepaid") twice demanded that the Fourteenth Amendment be rewritten to create an exception to the substantive protection it guarantees against state-sanctioned deprivation of property without due process of law and just compensation. According to Petitioner, Congress, in the wake of this Court's decision in *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996), has authority under § 5 of the Fourteenth Amendment to enact legislation appropriate to enforce the substantive guarantees of § 1 and prohibit the States from depriving persons of their property without due process of law, *except for property created by Congress pursuant to its authority under Article 1 of the Constitution*.

The District Court for the District of New Jersey and the United States Court of Appeals for the Federal Circuit rejected Florida Prepaid's proposed modification of the Fourteenth Amendment and Florida Prepaid's arguments about this Court's decision in *Seminole Tribe*. Florida Prepaid now asks this Court to consider the question whether a United States patent is "property" protected from state-sponsored deprivation under § 1 of the Fourteenth Amendment, and the question whether Congress is authorized by § 5 to enact legislation that provides patent owners with a remedy in the federal courts for state-sponsored patent infringement, thereby preventing the States from depriving patentees of their property without due process of law and just compensation.

Florida Prepaid's questions merit no further consideration than that already afforded the Petitioner by the District Court and by the Court of Appeals. For the reasons set forth below, Respondent College Savings Bank respectfully submits that this Court should deny Florida Prepaid's "Petition for Writ of Certiorari" and decline to review the Court of Appeals for the Federal Circuit's decision holding that the enactment of 35 U.S.C.

§§ 271(h) and 296 by Congress was authorized by the Fourteenth Amendment and appropriate to deter and remedy patent infringement by the States.

COUNTERSTATEMENT OF THE CASE

Respondent College Savings Bank ("CSB") is a savings bank located in and chartered by the State of New Jersey. Since 1987, CSB has been engaged in the business of selling a certificate of deposit contract known as the "CollegeSure® CD." Unlike conventional certificates of deposit offered by other banks, the CollegeSure® CD is unique, in part because the return on the contract is linked to the rate of inflation of the costs of college. In exchange for the deposit of funds by customers, CSB agrees to provide purchasers of the CollegeSure® CD a return guaranteed to be sufficient to fund the uncertain future cost of a college education. CSB administers the CollegeSure® CD program and satisfies its obligations to purchasers using data processing apparatus and methods described and claimed in CSB's United States Patent No. 4,722,055 ("the '055 patent"). *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1345 (Fed. Cir. 1998) (App. A at 2a); *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 948 F. Supp. 400, 401 (D.N.J. 1996), *aff'd*, 148 F.3d 1343 (Fed. Cir. 1998) (App. B at 28a).

Florida Prepaid is a "body corporate" of the State of Florida, an entity created by statute to manage and operate the Florida Prepaid Postsecondary Education Expense Program. Fla. Stat. § 240.551. As a "body corporate," Florida Prepaid has the power to "sue and be sued" in its own right. Fla. Stat. § 240.551(5)(c)(2). Like CSB, Florida Prepaid enters into contracts in which Florida Prepaid, in exchange for money invested by purchasers, agrees to provide a return guaranteed to be sufficient to pay the uncertain costs of college at specified dates in the future. *College Sav. Bank*, 148 F.3d at 1345 (App. A at 2a); *College Sav. Bank*, 948 F. Supp. at 401-02 (App. B at 28a-29a). Florida Prepaid employs a number of private firms, including accounting firms, investment services firms, actuaries, banking services firms, marketing firms, insurance services firms, records administration firms and distributors to administer and market its infringing program. These private firms include First Union National Bank, Coopers & Lybrand, Ernst & Young,

U.S. Trust Company, InTuition Solutions, NationsBank, Watson Wyatt Investment Consulting, Shields/Alliance, T. Rowe Price Associates and others.

CSB commenced this action for patent infringement against Florida Prepaid on November 7, 1994 in the United States District Court for the District of New Jersey pursuant to § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992); 35 U.S.C. §§ 271(h) and 296 ("Patent Remedy Act"), which expressly abrogates the Eleventh Amendment immunity of the States and makes them amenable to actions for patent infringement in the federal courts. CSB believes that Florida Prepaid uses CSB's patented methods and apparatus to administer the Florida Prepaid Postsecondary Education Expense Program and the college prepayment contracts that Florida Prepaid enters into with customers across the United States. The patent in suit, CSB's '055 patent, describes and claims data processing methods and apparatus for implementing and administering an insurance investment program that provides a future return adequate to pay the cost of a college education in return for a present investment determined on the basis of current college cost data and projections about the rate of increase of college costs. *College Sav. Bank*, 148 F.3d at 1345-46 (App. A at 2a-3a); *College Sav. Bank*, 948 F. Supp. at 401-02 (App. B at 28a-30a).

Florida Prepaid answered CSB's Complaint on May 16, 1995, after unsuccessfully moving to dismiss the action under Fed. R. Civ. P. 12(b)(6) for failure to state a claim, and, in the alternative, to transfer the action from the District Court in New Jersey to the United States District Court for the Northern District of Florida on *forum non conveniens* grounds under 28 U.S.C. § 1404(a). Florida Prepaid also invoked the jurisdiction of the District Court in New Jersey under 28 U.S.C. § 1338(a) and 28 U.S.C. §§ 2201 and 2202 by serving and filing a counterclaim affirmatively seeking an injunction and a judgment declaring that: 1) Florida Prepaid does not infringe CSB's '055 patent; and 2) CSB's '055 patent is invalid and unenforceable. *College Sav. Bank*, 948 F. Supp. at 402-03 (App. B at 31a).

On March 27, 1996, this Court handed down its decision in *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996), affirming the 1994 ruling of

the United States Court of Appeals for the Eleventh Circuit that the Indian Commerce Clause of the Constitution (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the States' Eleventh Amendment immunity from suit in the federal courts. *Seminole Tribe*, 517 U.S. at 76. The Court's decision in *Seminole Tribe* also overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), holding that the Interstate Commerce Clause (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the States' Eleventh Amendment immunity. *Seminole Tribe*, 517 U.S. at 66. The Court's decision in *Seminole Tribe* did not — Florida Prepaid's representations to the District Court to the contrary notwithstanding¹ — implicate the Fourteenth Amendment. The Court of Appeals for the Eleventh Circuit expressly held, and this Court affirmed, that the statute at issue in *Seminole Tribe*, the Indian Gaming Regulatory Act, "creates no liberty or property interests and cannot implicate the Fourteenth Amendment." *Seminole Tribe of Fla. v. Florida*, 11 F.3d 1016, 1025 (11th Cir. 1994) (emphasis added), *aff'd*, 517 U.S. 44 (1996).

Seminole Tribe did not alter this Court's prior holding in *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976) that § 5 of the Fourteenth Amendment does authorize Congress to abrogate the States' Eleventh Amendment immunity and enact legislation designed to enforce the substantive provisions of the Fourteenth Amendment. *Seminole Tribe*, 517 U.S. at 59. In *Fitzpatrick*, this Court held:

[We] think that the Eleventh Amendment, and the principle of state sovereignty which it embodies, are necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment. In that section Congress is expressly granted authority to enforce "by appropriate legislation" the substantive provisions of the Fourteenth Amendment, which themselves embody significant limitations on state authority. When Congress acts pursuant to § 5, not only is it exercising legislative authority that is plenary within the terms of the

1. The District Court rejected Florida Prepaid's assertion that the Eleventh Circuit held in *Seminole Tribe* that the Fourteenth Amendment does not authorize Congress to abrogate the immunity of the States, and observed that the Eleventh Circuit actually found that the statute at issue in *Seminole Tribe* did not implicate the Fourteenth Amendment. *College Sav. Bank*, 948 F. Supp. at 404 n.4 (App. B at 36a).

constitutional grant, it is exercising that authority under one section of a constitutional Amendment whose other sections by their own terms embody limitations on state authority. We think that Congress may, in determining what is "appropriate legislation" for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts.

Fitzpatrick, 427 U.S. at 456 (citations and footnote omitted).

In fact, this Court explicitly recognized in *Seminole Tribe* that its holding that Congress cannot abrogate the States' Eleventh Amendment immunity pursuant to the Interstate Commerce Clause is inapplicable to cases where Congress enacts legislation pursuant to the Fourteenth Amendment that abrogates the States' immunity from suit:

Fitzpatrick was based upon a rationale wholly inapplicable to the Interstate Commerce Clause, viz., that the Fourteenth Amendment, adopted well after the adoption of the Eleventh Amendment and the ratification of the Constitution, operated to alter the pre-existing balance between state and federal power achieved by Article III and the Eleventh Amendment.

Seminole Tribe, 517 U.S. at 65-66.

On May 14, 1996, a year and half into this lawsuit, Florida Prepaid moved to dismiss CSB's patent infringement action for lack of subject matter jurisdiction, asserting that 35 U.S.C. §§ 271(h) and 296 are unconstitutional, and that Florida Prepaid is immune under the Eleventh Amendment from suits in the federal courts for patent infringement.

On December 13, 1996, the District Court denied Florida Prepaid's motion to dismiss. *College Sav. Bank*, 948 F. Supp. 400 (App. B at 27a). The District Court held that patents are property, and that § 5 of the Fourteenth Amendment authorizes the legislation Congress enacted to prevent the States from depriving patent owners of their property without due process of law and just compensation:

"That a patent is property, protected against appropriation both by individuals and by government, has long been settled." *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415, 65 S.Ct. 373, 387, 89 L.Ed. 322 (1945).

* * *

In sum, a patent is "property" for purposes of the Fourteenth Amendment, and Congress can, under that Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act. Moreover, Congress has the power to enforce all of the provisions of the Fourteenth Amendment, including the Due Process Clause. It necessarily follows, therefore, that Congress may, pursuant to Section 5 of the Fourteenth Amendment, enact appropriate legislation to make states amenable to suit in federal court for allegedly depriving patentees of their patent property without compensation and without due process of law.

College Sav. Bank, 948 F. Supp. at 423, 425-26 (App. B at 85a-86a).

In reaching its decision, the District Court expressly rejected Florida Prepaid's contentions, including Florida Prepaid's argument that "the Fourteenth Amendment can only be used to remedy 'insidious discrimination.'" *College Sav. Bank*, 948 F. Supp. at 423-26 (App. B at 81a-82a). The District Court stated that the "language of the [Fourteenth] Amendment reaches far beyond" remedying "the kind of 'insidious discrimination' against the newly-freed slaves that prompted its adoption," and observed that "the Supreme Court has repeatedly applied it, according to its terms, outside the context of civil rights." *College Sav. Bank*, 948 F. Supp. at 423-24 (App. B at 81a). As examples of the authorities that make it clear the scope of the Fourteenth Amendment is not limited to the prohibition of discrimination, the District Court cited this Court's decisions in: *Tulsa Prof'l Collection Servs., Inc. v. Pope*, 485 U.S. 478, 485 (1988); *Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532, 538-39 (1985); *Mennonite Bd. of Missions v. Adams*, 462 U.S. 791, 798-800 (1983); and *Mathews v. Eldridge*, 424 U.S. 319, 332 (1976). *College Sav. Bank*, 948 F. Supp. at 424 (App. B at 81a-82a).

Florida Prepaid appealed from the District Court's decision on February 11, 1997. On June 30, 1998, the Court of Appeals for the Federal Circuit denied Florida Prepaid's appeal, rejecting many of the same arguments Florida Prepaid unsuccessfully advanced in the District Court. In response to Florida Prepaid's argument that the authority of Congress under § 5 of the Fourteenth Amendment is confined to legislation enforcing the Equal Protection Clause and prohibiting discrimination, the Court of Appeals acknowledged it is undeniable that the Civil War Amendments were adopted to address state-sponsored racial discrimination, but noted that:

Equally undeniably, the Supreme Court has enforced the Due Process Clause of the Fourteenth Amendment against the states and has read it expansively to prohibit state actions wholly unrelated to discrimination of any sort. Florida Prepaid cites no authority forbidding Congress from enacting statutes that abrogate state immunity in order to protect persons from property deprivations without due process of law. Surely the enforcement power of Congress under section 5 must embrace the full range of behavior that the Supreme Court has held to violate the substantive provisions in section 1 of the Amendment. We therefore reject the proposition that congressional authority under section 5 is restricted to only a certain provision of the Fourteenth Amendment, namely the Equal Protection Clause.

College Sav. Bank, 948 F.3d at 1349 (citations omitted) (App. A at 11a-12a).

Florida Prepaid argued on appeal that Congress cannot exercise its authority under § 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the States and provide patent owners with a remedy for state-sponsored patent infringement because: (1) patents are property created by federal statutes Congress promulgated in an exercise of its authority under Article I of the Constitution; and (2) this Court's decision in *Seminole Tribe* held that Article I does not authorize Congress to abrogate the States' Eleventh Amendment immunity. The Court of Appeals articulated Florida Prepaid's argument and rejected it with the following language:

Florida Prepaid next argues that the objective of the Patent Remedy Act is impermissible because, if we were to allow it, Congress would be able to abrogate state sovereign immunity pursuant to its Article I power, which is the exact result that the Supreme Court proscribed in *Seminole Tribe*. This is because the "property" protected by Congress under the Fourteenth Amendment, in this case a patent, is federally created property under Title 35 of the U.S. Code. Florida Prepaid asserts that, just as Congress created the patent system, it could ostensibly choose to create any sort of property using its Article I powers, and then, argues Florida Prepaid, abrogate the states' immunity to suit for the deprivation of that property

* * *

[B]ecause the Fourteenth Amendment was enacted subsequent to the Eleventh Amendment, unlike Article I, it expressly qualified the principle of sovereign immunity When the states adopted the Fourteenth Amendment and consented to cede a portion of their authority to the federal government, it was within their contemplation that they limited their Eleventh Amendment immunity. *Fitzpatrick* teaches so, and we adhere to its reasoning.

Although there may be some property interests that are not protected by the Fourteenth Amendment, and discriminating between property interests that are protectable under the Fourteenth Amendment and those that are not may prove a difficult task, such central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states To claim that patents do not warrant protection is tantamount to asserting that Congress may not, under any circumstance, abrogate the states' Eleventh Amendment immunity pursuant to the Due Process Clause when seeking to protect persons from the risk of unlawful deprivation of their property. Such would, in our view, amount to a direct contradiction of the text of the Fourteenth Amendment and its application by the Supreme Court.

If the reasoning of *Fitzpatrick* is to retain vitality, it must be that protecting a well-established property interest such as a patent is a permissible objective under the Fourteenth Amendment The objective of the Patent Remedy Act, which is to protect privately-held patent property from deprivation by states, is constitutionally legitimate.

College Sav. Bank, 148 F.3d at 1351-52 (citations omitted) (App. A at 15a-18a).

After holding that the objective of the Patent Remedy Act — providing patent owners with a remedy for state-sponsored deprivation of patent property — is constitutionally legitimate, the Court of Appeals rejected Florida Prepaid's argument that under this Court's decision in *City of Boerne v. Flores*, 521 U.S. 507, 117 S. Ct. 2157 (1997), "the means by which Congress sought to protect the patent right are out of proportion to the harm that the Patent Remedy Act endeavors to prevent." *College Sav. Bank*, 148 F.3d at 1352 (App. A at 18a-19a). The Court of Appeals addressed the issue in part as follows:

[W]hen states infringe patents, they cause considerable harm to the patentee and the patent system as a whole. Absent the right to sue a state under Title 35 for infringement, a patent declines drastically in value Furthermore, without the disincentive provided by the patent law's damages provisions, a patentee of inventions utilized primarily by states would suffer even greater harm, because an overwhelming portion, rather than a minor subset, of the potential market would be more apt to infringe or to procure cheaper infringing devices until the patentee brings suit. This would render the patentee's patent almost worthless. See *James v. Campbell*, 104 U.S. 356, 358, 26 L. Ed. 786 (1882) [sic] [1881] (stating with regard to infringement by the federal government: "Many inventions relate to subjects which can only be properly used by the government, such as explosive shells, rams, and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments.").

* * *

[T]he burden that the Patent Remedy Act places on states is slight, and it is not disproportionate or incongruous with the significant harm to patent holders who, absent abrogation of Eleventh Amendment immunity, would be unable to enforce fully the rights conveyed by their patent. The Patent Remedy Act thus achieves the congruence between the injury to be prevented and the means adopted to remedy the injury that distinguishes a permissible, remedial exercise of Congress' power under the Fourteenth Amendment from an impermissible extension of the substance of the Fourteenth Amendment rights themselves.

College Sav. Bank, 148 F.3d at 1354-55 (citations omitted) (App. A at 23a-25a).

After finding that Congress clearly expressed its intent to abrogate the States' Eleventh Amendment immunity from suits for patent infringement in the federal courts and that Congress abrogated the States' immunity in a valid exercise of Congress' constitutional authority under the Fourteenth Amendment, the Court of Appeals affirmed the District Court's decision denying Florida Prepaid's motion to dismiss. The Court of Appeals expressly noted that it did not reach CSB's arguments that: (1) the District Court erroneously held that *Parden v. Terminal Ry. of Ala. State Docks Dep't*, 377 U.S. 184 (1964) was "overruled by implication by *Seminole Tribe*"; (2) under *Parden*, which applies here, Florida Prepaid waived any claim of Eleventh Amendment immunity it may have had by continuing to market and administer a prepaid college tuition program that infringes CSB's '055 patent after Congress enacted the Patent Remedy Act in 1992; and (3) the District Court erroneously held that Florida Prepaid did not waive any claim of immunity it may have had by appearing in this action, by moving to transfer the case under 28 U.S.C. § 1404(a) from one district court to another of its choosing "where it might have been brought," and by affirmatively counterclaiming for a judgment declaring CSB's '055 patent invalid, not infringed and unenforceable. *College Sav. Bank*, 148 F.3d at 1345 (App. A at 1a-2a).

On September 29, 1998, the Clerk of this Court docketed Florida Prepaid's "Petition for Writ of Certiorari."

REASONS FOR DENYING THE WRIT

Florida Prepaid asserts in its Petition that "[a]llowing private parties to sue states for patent infringement in federal courts works a drastic, nationwide change in the law of sovereign immunity . . ." Florida Prepaid's Petition for Writ of Certiorari, page 6 (cited hereafter as "Petition, p. __"). Florida Prepaid is wrong. Congress' enactment of the Patent Remedy Act and the District Court's and Court of Appeals' decisions upholding the constitutionality of that legislation were rooted firmly in long-standing Supreme Court precedent. An examination of that precedent demonstrates the decisions below worked *no* change in the law of sovereign immunity — let alone a "drastic" change — and that those decisions are entirely consistent with precedent decided by this Court extending back in time for more than one hundred years. The courts below needed only to apply well-settled principles of constitutional law to arrive at the decisions about which Florida Prepaid complains.

It has been settled for more than a century that the rights secured by a patent are property, and that patent property rights are no different in the eyes of the Constitution than any other property right. "Rights secured to an inventor by letters-patent are property . . ." *Union Paper-Bag Machine Co. v. Murphy*, 97 U.S. 120, 121 (1877). "A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions." *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876).

The Takings Clause of the Fifth Amendment — "nor shall private property be taken for public use, without just compensation" — prohibits the federal government from taking patent property without just compensation:

That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by

the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.

James v. Campbell, 104 U.S. 356, 357-58 (1881). See *William Cramp & Sons Ship & Engine Bldg. Co. v. International Curtis Marine Turbine Co.*, 246 U.S. 28, 39-40 (1918) ("rights secured under the grant of letters patent by the United States . . . [are] property and protected by the guarantees of the Constitution and not subject therefore to be appropriated even for public use without adequate compensation"); *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 191 (1933) (" '[t]he government has no more power to appropriate a man's property invested in a patent than it has to take his property in real estate' ") (citation omitted).

This Court's decisions make it plain that the prohibition of the Takings Clause applies with equal force to the States:

The pertinent words of the Fifth Amendment of the Constitution of the United States are the familiar ones: "nor shall private property be taken for public use, without just compensation." *That prohibition, of course, applies against the States through the Fourteenth Amendment.*

Webb's Fabulous Pharmacies, Inc. v. Beckwith, 449 U.S. 155, 160 (1980) (emphasis added). Patent infringement constitutes a "taking." This Court stated in *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641, 648 (1915), that "the exclusive right conferred by the patent [is] property, and the infringement [is] a tortious taking of a part of that property"²

2. There is no doubt that if Florida Prepaid had taken CSB's land, rather than CSB's patent, such an uncompensated taking would violate the substantive prohibition of the Fourteenth Amendment. *Dolan v. City of Tigard*, 512 U.S. 374, 384 (1994) ("Without question, had the city simply required petitioner to dedicate a strip of land . . . for public use . . . a taking would have occurred. Such public access would deprive petitioner of the right to exclude others, 'one of the most essential sticks in the bundle of rights that are commonly characterized as property.' "). Florida Prepaid asks this Court to treat Florida Prepaid's taking of

(Cont'd)

Section 1 of the Fourteenth Amendment expressly prohibits the States from depriving persons of their property without due process of law, and, through incorporation of the Fifth Amendment, expressly prohibits the States from taking property without just compensation. Section 5 of the Fourteenth Amendment expressly authorizes Congress to enforce the substantive provisions of § 1 by appropriate legislation. This Court's decisions make it plain that § 5 authorizes Congress to enforce all of the provisions of § 1 against the States, including the Due Process Clause. See *City of Boerne*, 117 S. Ct. at 2163 ("The 'provisions of this article,' to which § 5 refers, include the Due Process Clause of the Fourteenth Amendment.").

This Court's decisions also have established that Congress is authorized by § 5 of the Fourteenth Amendment to enact legislation to enforce all the substantive provisions of the Fourteenth Amendment against the States notwithstanding the immunity granted to the States by the Eleventh Amendment. In *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 238 (1985), for example, this Court held:

[T]he Eleventh Amendment is "necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment," that is, by Congress' power "to enforce, by appropriate legislation, the substantive provisions of the Fourteenth Amendment." *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976). As a result, when acting pursuant to § 5 of the Fourteenth Amendment, Congress can abrogate the Eleventh Amendment without the States' consent.

See also *Seminole Tribe*, 517 U.S. at 59.

In the face of all of this precedent, Florida Prepaid cannot fairly claim that the Court of Appeals' decision upholding the constitutionality of the Patent Remedy Act "works a drastic . . . change in the law of sovereign immunity." A patent is property. The Fourteenth Amendment

(Cont'd)

CSB's patent property differently than it would a taking of CSB's land, but offers no sound constitutional reason why this Court should ignore a century of precedent holding that patent property is entitled to the same protection under our Constitution as land.

expressly prohibits the States from depriving property owners of their property without due process of law. This Court often has enforced the Due Process Clause of the Fourteenth Amendment to prevent States from depriving persons of their property without due process of law. *See, e.g., Board of Regents of State Colleges v. Roth*, 408 U.S. 564, 576-77 (1972). This Court long has held that the Takings Clause of the Fifth Amendment prevents the Federal Government from taking patent property without just compensation, and that the Takings Clause applies with equal force to the States. Patent infringement is a taking. Section 5 of the Fourteenth Amendment authorizes Congress to enact legislation to enforce the Due Process and Takings Clauses against the States. Congress explicitly enacted 35 U.S.C. §§ 271(h) and 296 pursuant to its authority under § 5 of the Fourteenth Amendment. *Infra*, p. 16. The Court of Appeals' decision did not depart from any of this Court's established sovereign immunity jurisprudence. Instead, the Court of Appeals' decision stands for the unremarkable proposition that § 1 of the Fourteenth Amendment prohibits the States from depriving property owners — including patentees — of their property without due process of law and just compensation, and that § 5 of the Fourteenth Amendment authorizes Congress to enact legislation to enforce the prohibitions of § 1 against the States.

Florida Prepaid contends in its Petition that:

the result and reasoning of the Court of Appeals conflict with two landmark decisions of this Court: *Seminole Tribe of Florida v. Florida* with respect to the Eleventh Amendment, and *City of Boerne v. Flores* with respect to the Fourteenth Amendment.

Petition, p. 6. Florida Prepaid is wrong. *Seminole Tribe* is inapposite to the question addressed and decided by the Court of Appeals: Does Congress have authority under § 5 of the Fourteenth Amendment to enact legislation appropriate to prevent the States from depriving a property owner of *property* without due process of law and just compensation? The statute at issue in *Seminole Tribe* "create[d] no liberty or property interests" and therefore did not "implicate the Fourteenth Amendment." *Seminole Tribe*, 11 F.3d at 1025. *Seminole Tribe* did not address the question whether Congress is authorized under § 5 of the Fourteenth Amendment to enact statutes — like 35 U.S.C. §§ 271(h) and 296 —

prohibiting the States from taking *property* without due process of law and just compensation. That question is controlled by this Court's holding in *Fitzpatrick*, where this Court "held that through the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment . . ." *Seminole Tribe*, 517 U.S. at 59.

Seminole Tribe held that Article I — *not* the Fourteenth Amendment — does not authorize Congress to abrogate the States' Eleventh Amendment immunity from suit. Article I is the source of Congress' authority to create patent property, but it says nothing about prohibiting the States from taking patents or any other form of property. When Florida Prepaid took CSB's property by infringing CSB's '055 patent, Florida Prepaid ran afoul of the express prohibition of § 1 of the Fourteenth Amendment — not of any of the provisions of Article I. The fact that patent property rights were created by Congress in an exercise of its authority under Article I has nothing to do with whether the Fourteenth Amendment authorizes Congress to enact legislation to prevent States from depriving patentees of that property without the due process and just compensation guaranteed by the Fourteenth Amendment. The question presented in *Seminole Tribe* is not related to the question decided by the Court of Appeals in this case.

The Court of Appeals' decision that Florida Prepaid asks this Court to review is wholly consistent with this Court's decision in *City of Boerne*, 117 S. Ct. 2157. In fact, the Court of Appeals took great pains to follow carefully the precedent set by *City of Boerne*:

The Supreme Court's decision in *City of Boerne* guides our analysis as we attempt to discern whether the Patent Remedy Act is an appropriate means through which Congress exercised its power to enforce the substantive guarantees of the Fourteenth Amendment.

College Sav. Bank, 148 F.3d at 1352 (App. A at 19a).

In *City of Boerne*, this Court stated that:

The "provisions of this article," to which § 5 refers, include the Due Process Clause of the Fourteenth Amendment . . .

([T]here is “no doubt of the power of Congress to enforce by appropriate . . . sanction every right guaranteed by the Due Process Clause of the Fourteenth Amendment”).

City of Boerne, 117 S. Ct. at 2163-64 (citations omitted). There is no doubt that Congress enacted 35 U.S.C. §§ 271(h) and 296 to “enforce” rights expressly enumerated in and guaranteed by the Due Process Clause of the Fourteenth Amendment. The legislative history of the Patent Remedy Act makes this absolutely clear:

[T]he bill is justified as an acceptable method of *enforcing* provisions of the fourteenth amendment. The court in *Lemelson v. Ampex Corp.*, [372 F.Supp. 708, 181 USPQ 313 (N.D. Ill. 1974)], recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement. Additionally, because courts have continually recognized patent rights as property, the fourteenth amendment prohibits a State from depriving a person of property without due process of law Furthermore, the fourteenth amendment gives Congress the authority to *enforce* this right. S. 758 and S. 759 represent a valid extension of Congress’ right to protect the property rights of patent and trademark holders.

S. Rep. No. 102-280, at 8 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087, 3094 (emphasis added) (footnotes omitted).

In *City of Boerne*, this Court held that the Religious Freedom Restoration Act (“RFRA”) was unconstitutional because — unlike 35 U.S.C. §§ 271(h) and 296 — it does not *enforce* a right guaranteed by the Fourteenth Amendment. The Court in *City of Boerne* determined that the RFRA altered, rather than enforced, rights guaranteed by the Fourteenth Amendment:

Legislation which alters the meaning of the Free Exercise Clause cannot be said to be enforcing the Clause. Congress does not enforce a constitutional right by changing what the right is. It has been given the power “to enforce,” not the power to determine what constitutes a constitutional violation. Were it not so, what Congress would be enforcing would no

longer be, in any meaningful sense, the “provisions of [the Fourteenth Amendment].”

117 S. Ct. at 2164.

In *City of Boerne*, however, this Court observed that:

Legislation which deters or remedies constitutional violations can fall within the sweep of Congress’ enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into “legislative spheres of autonomy previously reserved to the States.”

117 S. Ct. at 2163 (citation omitted). Congress enacted the Patent Remedy Act to “deter” and “remedy” a clear “constitutional violation” — the taking of privately-owned patent property by States without due process of law and just compensation. Congress explicitly stated that it enacted 35 U.S.C. §§ 271(h) and 296 to “rectify” problems associated with the States being allowed to infringe patents with impunity:

Allowing a state to freely infringe upon the protection granted by the Patent Code and the Trademark Act effectively discourages future innovative [sic] [innovation].

* * *

This legislation will *rectify* the situation and provide uniform protection throughout the patent and trademark systems.

S. Rep. No. 102-280, at 8-9 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087, 3094-95 (emphasis added).

Congress cited a number of *reported* instances of state-sponsored patent infringement as providing some of the impetus for its decision to enact the Patent Remedy Act.³ S. Rep. No. 102-280, at 5-6 (1992),

3. There is no way to know, of course, how many unreported instances of state-sponsored patent infringement existed at the time Congress enacted 35 U.S.C. §§ 271(h) and 296.

reprinted in 1992 U.S.C.C.A.N. 3087, 3091-92. See *College Sav. Bank*, 148 F.3d at 1353-54 (App. A at 21a-22a). Congress determined that it was necessary, in light of the harm caused by state-sponsored patent infringement, to enact legislation that provides patent owners with a remedy in the form of an action for patent infringement in the federal courts to ensure that patent owners are not deprived of their property by the States without due process of law and just compensation. Congress' exercise of its remedial authority under § 5 of the Fourteenth Amendment is entitled to deference. *City of Boerne*, 117 S. Ct. at 2172 (citation omitted) ("It is for Congress in the first instance to 'determin[e] whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment,' and its conclusions are entitled to much deference.").

Florida Prepaid contends in its Petition that "[t]he Federal Circuit's decision also conflicts with a decision from the Fifth Circuit, *Chavez v. Arte Publico Press*" and that "[t]his Court should therefore grant certiorari here to resolve the conflict . . ." Petition, pp. 6, 26. Florida Prepaid's reliance on the Fifth Circuit's April 20, 1998 decision in *Chavez* to create a conflict in the circuit courts that warrants this Court's intervention is premature. At the time Florida Prepaid submitted its "Petition for Writ of Certiorari," suggestions for rehearing *en banc* were pending in *Chavez*. On October 1, 1998, the Fifth Circuit: (1) granted the suggestions for rehearing; and (2) revised and superseded its original opinion (reported at 139 F.3d 504 (5th Cir. 1998)) in *Chavez*. The Fifth Circuit's modified opinion (*Chavez v. Arte Publico Press*, 157 F.3d 282 (5th Cir. 1998)) includes a strong dissent by Circuit Judge Wisdom reflecting his change of mind, and his disagreement with the views expressed by the other Judges on the panel that Congress lacks authority under § 5 of the Fourteenth Amendment to abrogate the States' immunity under the Eleventh Amendment and subject the States to suits in the federal courts for copyright and trademark infringement. Judge Wisdom squarely rejected the constitutional analysis and the interpretation of *Seminole Tribe* adopted by the other two Judges in *Chavez* (the same analysis that Florida Prepaid advances here), and expressly embraced the constitutional analysis and rationale adopted by the Court of Appeals for the Federal Circuit in this case that led to the Federal Circuit's decision that Congress has authority under § 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the States to provide patent owners with a remedy in the federal courts against the States for patent infringement.

After concluding that Congress was pursuing a legitimate objective in enacting legislation subjecting the States to actions for copyright and trademark infringement in the federal courts pursuant to its authority under § 5 of the Fourteenth Amendment, and that there is proportionality and congruence between the means Congress employed to achieve that objective and the harm to be prevented, Judge Wisdom concluded that:

Congress enacted a valid waiver of state sovereign immunity for copyright and trademark infringement cases. It may be that this allows an end-run around *Seminole*, but this end-run is one grounded in the text of the Constitution and well-established precedent.

Chavez, 157 F.3d at 297-98 (Wisdom, J., dissenting).

Argument on the *en banc* rehearing in *Chavez* tentatively is scheduled for January 18, 1999. In light of these developments, CSB believes that Florida Prepaid's reliance on the original *Chavez* opinion to create a conflict warranting review here is premature.

Florida Prepaid complains in its Petition that "[t]he money damages that can be available in patent infringement suits are precisely the type of threat to state finances and state sovereignty that the Eleventh Amendment was intended to eliminate." Petition, p. 7. Florida Prepaid's argument on this score ignores the States' constitutional obligations under the Fourteenth Amendment. The damages available in patent infringement actions are designed to justly *compensate* patent owners whose patent property has been taken from them and improperly used by infringers. 35 U.S.C. § 284 ("Upon finding for the claimant the court shall award the claimant damages *adequate to compensate for the infringement . . . for the use made of the invention by the infringer . . .*"). Payment of damages sufficient to compensate the owner of the patent for the value of the improper use made of the patented property by the State satisfies the States' constitutional obligation under the Fourteenth Amendment to pay just compensation to patent owners whose patented inventions are taken by the States. The law is clear that the States' sovereignty is "limited by the enforcement provisions of § 5 of the Fourteenth Amendment." *Fitzpatrick*, 427 U.S. at 456. Providing patent owners with a remedy and making States accountable for the property they take without

compensation is no threat to the States' sovereignty — the States ceded that portion of their sovereignty when they ratified the Fourteenth Amendment.

Florida Prepaid's complaints about the potential size of patent infringement damages (Petition, p. 8) ring hollow.⁴ As a constitutional matter, infringing States are obliged to justly compensate patentees for property they take without regard to whether such compensation is paid in the context of a patent infringement action in a federal court or by way of some other proceeding or mechanism. The truth is that Florida Prepaid simply does not want to compensate CSB for the patent property it improperly appropriated from CSB. Absent a federal forum and a remedy in the form of an infringement action against the States, patentees would be hard pressed to obtain due process of law or just compensation either directly from the States or by asserting the "Takings Clause" in proceedings in state courts that lack experience adjudicating the issues that ordinarily arise in patent infringement actions.

At the time Congress enacted the Patent Remedy Act, Congress was well aware that the individual state courts are not as well equipped to adjudicate issues of patent validity and claim construction as the federal courts. By vesting exclusive jurisdiction over patent infringement actions in the federal courts (28 U.S.C. § 1338(a)), and by providing patent owners with a remedy in the federal courts and an experienced forum, Congress made certain that patentees are afforded the due process and just compensation for patent property taken by the States that is guaranteed by § 1 of the Fourteenth Amendment. This Court recognized long ago in *Strauder v. West Virginia*, 100 U.S. 303, 311 (1879) (emphasis added), that:

there is express authority to protect the rights and immunities referred to in the Fourteenth Amendment, and to enforce observance of them by appropriate congressional legislation. *And one very efficient and appropriate mode of extending*

4. While complaining about the possibility of being held accountable for infringing CSB's patent and paying just compensation for the property it has taken from CSB, Florida Prepaid says nothing about how it has used that property to accumulate reserves that exceed a quarter of a billion dollars.

such protection and securing to a party the enjoyment of the right or immunity, is a law providing for the removal of his case from a State court, in which the right is denied by State law, into a Federal court where it will be upheld. This is an ordinary mode of protecting rights and immunities conferred by the Federal Constitution and laws.

Florida Prepaid also complains in its Petition that "States now may be haled into a federal court across the country, as occurred here, when Florida Prepaid was required to defend itself in New Jersey." Petition, p. 8. Florida Prepaid fails to acknowledge that the reason it was "haled" into the United States District Court for the District of New Jersey is that it is doing business in New Jersey in competition with CSB. Florida Prepaid entered into contracts with New Jersey residents pursuant to which Florida Prepaid agreed to administer its prepaid college tuition program and the contracts themselves using methods and apparatus covered by CSB's '055 patent. Florida Prepaid *never* has alleged that the District Court in New Jersey lacks personal jurisdiction over Florida Prepaid. Florida Prepaid moved to transfer the action to a Federal Court in Florida under 28 U.S.C. § 1404(a) on *forum non conveniens* grounds, but the District Court denied that motion. Florida Prepaid's cry to the contrary notwithstanding, States may be sued in federal courts located in other States only when they, like Florida Prepaid, are doing business in, or have contacts with, those other States. Florida Prepaid's complaint comes with ill-grace from an infringer that has elected to profit from the marketing and sale of its infringing program and contracts outside the boundaries of Florida.

Florida Prepaid also contends that "states will frequently be exposed to suits alleging contributory infringement . . ."⁵ Petition, p. 8. The

5. Florida Prepaid asserts that the consequences of allowing suits for patent infringement against States that sponsor prepaid tuition and tuition savings programs would be "severe" because "[m]any states have created programs similar to that administered by Florida Prepaid." Petition, p. 7 n.2. Florida Prepaid's argument is misleading to the extent it suggests that the States must infringe CSB's patented methods and apparatus to administer a prepaid tuition or tuition savings program, and that all of the existing programs sponsored by the States infringe CSB's '055 patent. Indeed, three of the state-sponsored programs identified by

frequency and location of such suits for the most part are in the hands of the States. States that do not contribute to the taking of patented property protected against deprivation by the Fourteenth Amendment will find that they are infrequently exposed to such suits.

Florida Prepaid also asserts that:

a single wrongly decided suit could cost a state millions, even billions, of dollars. Moreover, the threat of damage awards in meritless litigation could result in defensive settlements or cause a state to refrain from implementing new technologies.

Petition, p. 8. Florida Prepaid's argument applies to any lawsuit — not just actions for patent infringement. Any time Congress properly exercises its constitutional authority and enacts legislation abrogating the States' immunity, there is some chance that a suit brought pursuant to such a statute may be "wrongly decided." Florida Prepaid's argument suggests that Congress could never abrogate the States' immunity to enforce rights guaranteed by the Fourteenth Amendment because a suit against a State might be "wrongly decided." In any event, any State that feels an action has been wrongly decided may appeal, and the Court of Appeals — not the State — will review the matter to determine whether the decision was correct.

If the Patent Remedy Act causes a State to refrain from implementing new *infringing* technologies, the statute should be deemed a success. Congress is authorized to enact legislation to *deter* constitutional violations. *City of Boerne*, 117 S. Ct. at 2163. Absent the Patent Remedy Act, CSB suspects that it would be rare for a State to consider the property rights of a patentee whose invention they take to "implement new technologies."

(Cont'd)

Florida Prepaid — Indiana, Kentucky and Louisiana — do not infringe CSB's '055 patent. The State of Montana has chosen to respect CSB's property rights and has entered into a contract pursuant to which CSB serves as program manager and account depository for the prepaid tuition savings program offered by Montana.

Throughout its Petition, Florida Prepaid argues that this Court's decision in *Seminole Tribe* stands for the proposition that Congress cannot enforce the protection of the Fourteenth Amendment against state-sponsored deprivation of patent property because patents are property created by laws enacted by Congress under authority of Article I:

Although *Seminole Tribe* acknowledged that the Fourteenth Amendment remains a legitimate source of congressional power to abrogate Eleventh Amendment immunity . . . the decision of the Court of Appeals here simply cannot be reconciled with *Seminole Tribe's* unequivocal denial of congressional power to abrogate under Article I. It is not enough to declare that patents are "property" and therefore subject to the protections of the Fourteenth Amendment. Such a strictly categorical analysis, which takes no notice of patents' foundation in Article I, fails to respect the constitutionally sanctioned value of state sovereign immunity

Petition, p. 15.

Florida Prepaid's attempt to read an exception into the Fourteenth Amendment to exclude property created pursuant to laws enacted under authority of Article I lacks any textual basis and is contrary to this Court's precedent. It has been clear for more than a century that the property rights secured by a patent are no different in the eyes of the Constitution than other property rights. This Court said as much in *Consolidated Fruit Jar*, 94 U.S. at 96: "A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions." Florida Prepaid cannot credibly argue that the Congress could not enact legislation to protect landowners from state-sponsored deprivation of their real property without due process of law and just compensation. Under this Court's precedent, Florida Prepaid's argument that Congress cannot enact legislation to protect patent property from state-sponsored deprivation is no more credible.

Florida Prepaid's attempt to differentiate patent property from other forms of property on the ground that Congress created patents pursuant

to its authority under Article I falls of its own weight. Money, like patents, is a form of property created by Congress pursuant to authority enumerated in Article I of the Constitution. U.S. Const., art. I, § 8, cl. 5. No one — not even Florida Prepaid — credibly could contend that Florida could deprive the citizens of New Jersey of their monetary property without due process of law and just compensation. *See Board of Regents*, 408 U.S. at 571-72. Florida Prepaid, however, never offers any reason why one form of property created by Congress under Article I — money — merits protection under the Fourteenth Amendment, while another form of property created by Congress under Article I — patents — does not.

Florida Prepaid's Article I argument is a red herring. The Fourteenth Amendment makes no distinction between different forms of property.

The Fourteenth Amendment's procedural protection of property is a safeguard of the security of interests that a person has already acquired in specific benefits. These interests — property interests — may take many forms.

Board of Regents, 408 U.S. at 576. Patents surely are one form of protected property. As the Court of Appeals noted, many of the forms of property that this Court has held are protected by the Fourteenth Amendment are not as securely grounded in this Court's historical jurisprudence as patents. *College Sav. Bank*, 148 F.3d at 1352-53 (App. A at 17a-18a). Once property is created and property rights vest in a person, the States cannot take that property without satisfying the demands of the Fourteenth Amendment with respect to due process of law and just compensation.

Florida Prepaid claims that:

The Court of Appeals acknowledged *Seminole Tribe's* limitation of Congress's Article I power, but rescued the Patent Remedy Act from unconstitutionality by holding that it can be treated as an exercise of enforcement power under section 5 of the Fourteenth Amendment.

Petition, p. 10. Florida Prepaid's argument suggests the Court of Appeals' holding that § 5 of the Fourteenth Amendment authorized enactment of

the Patent Remedy Act was an afterthought recently concocted to save the statute. Florida Prepaid forgets that Congress *explicitly* enacted the Patent Remedy Act in an exercise of its authority under the Fourteenth Amendment. The Court of Appeals did not "rescue" the Patent Remedy Act. The Court independently concluded that Congress' enactment of the Patent Remedy Act was authorized by the Fourteenth Amendment, and that the legislation meets the constitutional tests set forth by this Court.

Florida Prepaid argues in its Petition that:

Surely Congress is not free to transform exercises of Article I power, such as the regulation of patents, into applications of Fourteenth Amendment enforcement authority simply because the Fourteenth Amendment is Congress's only remaining source of power to abrogate the Eleventh Amendment.

Petition, p. 12. This argument fundamentally misapprehends the respective roles of Article I and the Fourteenth Amendment. Congress' power to create and regulate patent property pursuant to its authority under Article I is not related to its authority under the Fourteenth Amendment to enact legislation designed to deter the States from depriving patentees — and all other property holders — of their property without due process of law and just compensation. The fact that patent property rights were created by Congress under Article I has nothing to do with the question whether the Fourteenth Amendment authorizes Congress to enact legislation to enforce the substantive prohibition of the Fourteenth Amendment and prevent the States from taking that property without due process and just compensation. Article I *never* granted Congress authority to enact legislation abrogating the States' immunity from suit in the federal courts — that alone is the logical extension of this Court's holding in *Seminole Tribe*.

Congress did not "transform" its Article I powers when it enacted the Patent Remedy Act, it exercised its authority under a wholly separate set of powers — powers explicitly ceded to Congress by the States when they ratified the Fourteenth Amendment. Congress created patent rights using its Article I powers; it protects the rights of patent

holders against infringing States under authority of the Fourteenth Amendment.

Florida Prepaid argues in its Petition that:

Unlike the Court of Appeals here, other courts have recognized the need to avoid "eviscerating" the Eleventh Amendment when either approving or rejecting abrogations of immunity. Post - *Seminole Tribe* decisions that have upheld congressional abrogations of Eleventh Amendment immunity have done so where the traditional guarantees of the Fourteenth Amendment were very closely implicated.

Petition, p. 13. Florida Prepaid then cites three recent cases upholding the constitutionality of statutes enacted to enforce the Equal Protection Clause of the Fourteenth Amendment. Florida Prepaid never explains why cases that stand for the proposition that Congress has authority under § 5 of the Fourteenth Amendment to enforce the Equal Protection Clause, somehow support the proposition that Congress lacks authority under § 5 to enforce the Due Process Clause and prohibit the States from depriving persons of their property without due process of law and just compensation.

Florida Prepaid also does not explain why statutes designed to enforce the Equal Protection Clause more closely implicate the "traditional guarantees of the Fourteenth Amendment" than statutes like 35 U.S.C. §§ 271(h) and 296, which are directed to enforcing the substantive guarantees of the Due Process Clause. It is Florida Prepaid — not the Court of Appeals — that seeks to "eviscerate" a constitutional amendment — the Fourteenth Amendment. Florida Prepaid continues here its attempts to read the Due Process Clause out of the Fourteenth Amendment and to limit Congress to legislation designed to prevent "insidious discrimination." Florida Prepaid's continuing, baseless attempt to limit the scope of the Fourteenth Amendment should again be rejected here.

Florida Prepaid contends that the inclusion in the Patent Remedy Act of the possibility of an award of treble damages and/or attorney fees renders that statute unconstitutional:

The Court of Appeals describes the means of the Patent Remedy Act as "modest and circumscribed," App. A at 24a, yet admits that they include, among other things, treble damages and attorney's fees . . . — harsh remedies normally applied punitively, or when exceptionally strong deterrence is required

Petition, p. 19. Florida Prepaid admits that an award of treble damages or attorney fees only occurs in "exceptional" circumstances. See 35 U.S.C. § 285. An example of such an exceptional circumstance is infringement that is willful and deliberate on the part of the infringer. Florida Prepaid admits that "exceptionally strong deterrence" is required for infringers that knowingly take the patent property of others with disregard for the patent owner's rights. The same enforcement rationale applies to the States. States that are inclined to willfully and deliberately violate the constitutional rights of patent owners require "exceptionally strong deterrence." Congress is authorized to deter such constitutional violations. *City of Boerne*, 117 S. Ct. at 2163.

The Patent Remedy Act is a paradigm of proportionality. In unexceptional cases it provides the patentee whose property has been taken by a State with a remedy in the form of "damages adequate to compensate for the infringement." 35 U.S.C. § 284. In exceptional cases, when a State willfully and deliberately infringes a patent, Congress has provided a remedy designed to create the disincentive necessary to deter future acts of bad faith willful infringement. 35 U.S.C. §§ 284, 285. This Court itself has acknowledged that legislation providing for an award of attorney's fees can be an appropriate method of enforcing the guarantees of the Fourteenth Amendment:

Moreover, even if the Eleventh Amendment would otherwise present a barrier to an award of fees against a State, Congress was clearly acting within its power under § 5 of the Fourteenth Amendment in removing that barrier. Under § 5 Congress may pass any legislation that is appropriate to enforce the guarantees of the Fourteenth Amendment. A statute awarding attorney's fees to a person who prevails on a Fourteenth Amendment claim falls within the category of "appropriate"

legislation We agree with the courts below that Congress was acting within its enforcement power in allowing the award of fees in a case in which the plaintiff prevails on a wholly statutory non-civil-rights claim pendent to a substantial constitutional claim

Maher v. Gagne, 448 U.S. 122, 132 (1980).

Florida Prepaid asserts there is no need for the Patent Remedy Act because a patentee could seek state-law remedies: "the Court of Appeals improperly derogates state-law remedies that provide due process, avoiding a constitutional violation altogether." Petition, p. 20. Florida Prepaid misapprehends the pertinent question. Congress — not the Court of Appeals — has determined that the state law remedies are inadequate to secure to patent owners the substantive protection guaranteed property owners by the Fourteenth Amendment. Congress, exercising its discretion to enforce the substantive protection guaranteed by the Fourteenth Amendment against the States, has determined that the procedures and remedies that may be provided by some of the States are not likely to provide patent owners with "due process of law" or "just" compensation as required by the provisions of § 1.

Florida Prepaid points to *Jacobs Wind* to support its contention that state law remedies are adequate. The fact is that Congress enacted the Patent Remedy Act in response to the Court of Appeals' ruling in *Jacobs Wind Elec. Co. v. Florida Dep't of Transp.*, 919 F.2d 726 (Fed. Cir. 1990), which held that at that time, Congress had not enacted legislation abrogating the State's immunity from patent infringement suits. *College Sav. Bank*, 148 F.3d at 1347 (App. A at 6a) ("In response to our decisions in *Jacobs Wind* and *Chew*, Congress amended the patent laws to express unambiguously its intent to abrogate the sovereign immunity of the states.") Congress clearly was aware of and rejected as inadequate the state law remedies extant at the time Congress enacted the Patent Remedy Act. S. Rep. No. 102-280, at 5-6 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3091-92.

In its Petition, Florida Prepaid extols the virtues of forcing patentees to pursue the "alternative remedy" of "suit[s] for injunctive relief pursuant to *Ex Parte Young*." Petition, p. 19. Florida Prepaid asserts that an *Ex Parte Young* action "could ensure a state's compliance with federal

law and preserve a patent-holder's property."⁶ Petition, p. 19. It is not surprising to CSB that Florida Prepaid finds such an "alternative remedy" preferable to a patent infringement action. A successful *Ex Parte Young* action would provide only prospective relief in the form of an injunction against a state official, and would do nothing to compensate a patentee for patent property taken by past infringement. This case, for example, has been pending for four years and was brought in response to at least two previous years of infringement by Florida Prepaid. CSB already has lost six years of the exclusivity in the practice of its patented invention that is supposed to be secured by CSB's patent, and has suffered substantial damages as a result of Florida Prepaid's improper taking. An *Ex Parte Young* injunction would not offer any compensation to CSB for its lost property, nor would it provide CSB with the process due before Florida Prepaid took that property.

Florida Prepaid asserts that "[i]t is no answer to say that the relief available under *Ex Parte Young* 'falls far short of the protection that Congress has provided.' " Petition, p. 19. Florida Prepaid is wrong. It is because the relief available under *Ex Parte Young* plainly is so insufficient to enforce the guarantees of the Fourteenth Amendment that Congress had to enact the Patent Remedy Act. Congress' decision in that regard need not be "justified." On the contrary, this Court's decisions make it plain that Congress' decision is entitled to great deference. *City of Boerne*, 117 S. Ct. at 2172. It is not surprising that Florida Prepaid would prefer to infringe patents for years, with no risk of being held accountable to compensate the patent owners whose property they improperly have taken. The remedy available to patent owners by way of an *Ex Parte Young* action — the possibility of a prospective injunction with no compensation for past infringement after a long legal battle with a State — offers little protection to the owner of a patent deprived of his property by a State. No compensation for a past taking hardly is "just" and more process before such a taking plainly is "due" under the express guarantee of § 1 of the Fourteenth Amendment.

6. Florida Prepaid also points to the alternative remedy of "suits by the federal government against a state in federal court." Petition, p. 19. It is not clear to CSB how such a "remedy" has any application in the context of state-sponsored infringement of a privately-owned patent, or how a private patent owner would be compensated as a result of such a suit.

CONCLUSION

For all of the foregoing reasons, CSB respectfully requests the Court to deny Florida Prepaid's "Petition for Writ of Certiorari."

Respectfully submitted,

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In the Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION
EXPENSE BOARD, PETITIONER

v.

COLLEGE SAVINGS BANK AND THE
UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

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1298

QUESTION PRESENTED

Whether, in subjecting state entities to suit in federal court for patent infringement, Congress validly exercised its authority under Section 5 of the Fourteenth Amendment.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-26a) is reported at 148 F.3d 1343. The opinion of the district court (Pet. App. 27a-91a) is reported at 948 F. Supp. 400.

JURISDICTION

The judgment of the court of appeals was entered on June 30, 1998. The petition for a writ of certiorari was filed on September 28, 1998. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Respondent College Savings Bank (CSB) markets "CollegeSure® CD," a deposit contract for financing future college expenses. Respondent obtained a patent for its method of financing. Pet. App. 2a. Petitioner Florida Prepaid Postsecondary Education Expense Board, a corporate body created by the Florida legislature, see Fla. Stat. Ann. § 240.551 (West 1998), also markets an arrangement for paying future college expenses. See Pet. App. 28a-29a. Like respondent, petitioner agrees to provide a return on invested funds that is guaranteed to be adequate to finance the costs of a college education at specified dates in the future. *Id.* at 29a.

Respondent filed suit against petitioner, alleging that petitioner knowingly and willfully infringed its patent. Respondent sought declaratory and injunctive relief and damages. C.A. App. 100-103.* Although petitioner is a state entity, the Patent and Plant Variety Protection Remedy Clarification Act (Patent Remedy Act), Pub. L. No. 102-560, § 2, 106 Stat. 4230, 35 U.S.C. 271(h), 296, expressly subjects state entities to suit for a violation of the Patent Act. After this Court decided *Seminole Tribe v. Florida*, 517 U.S. 44 (1996), petitioner moved to dismiss respondent's Patent Act claim on Eleventh Amendment grounds. Pet. App. 38a. The

* Respondent filed a separate action alleging that petitioner had violated its rights under the Lanham Trade-Mark Act, 15 U.S.C. 1125(a). That action is not at issue here. We note that the district court dismissed the Lanham Act action on Eleventh Amendment grounds, the Third Circuit affirmed, and respondent has filed a petition for a writ of certiorari from the Third Circuit's judgment (No. 98-149).

United States intervened pursuant to 28 U.S.C. 2403 to defend the constitutionality of the Patent Remedy Act.

The district court denied petitioner's motion to dismiss respondent's patent infringement claim. Pet. App. 27a-91a. The court held that Congress validly abrogated the States' immunity from suit for infringement under the Patent Remedy Act. The court held that the Patent Remedy Act was a valid means of enforcing the Due Process Clause of the Fourteenth Amendment. *Id.* at 78a-86a. The court explained that "a patent is 'property' for purposes of the Fourteenth Amendment, and Congress can, under that Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act." *Id.* at 85a-86a.

2. The court of appeals affirmed. Pet. App. 1a-26a. The court held that Congress had clearly expressed its intent to abrogate the States' immunity from suit in federal court for patent infringement and that Congress was empowered under Section 5 of the Fourteenth Amendment to effectuate such an abrogation. *Id.* at 7a-26a. The court stated that "[i]n subjecting the states to suit in federal court for patent infringement, Congress sought to prevent states from depriving patent owners of their property without due process through infringing acts, an objective that comports with the text and judicial interpretations of the Fourteenth Amendment." *Id.* at 13a. The court also found a "congruence between the means used and the ends to be achieved" by Congress in subjecting the States to suit for patent infringement. *Id.* at 24a (quoting *City of Boerne v. Flores*, 117 S. Ct. 2157, 2169 (1997)).

ARGUMENT

The court of appeals correctly held that the Patent Remedy Act constitutes a valid exercise of Congress's

power under Section 5 of the Fourteenth Amendment. Review of that decision is not warranted.

1. Petitioner contends (Pet. 6, 9-15) that the holding of the court below that Congress had power under Section 5 of the Fourteenth Amendment to subject state entities to patent infringement suits conflicts with *Seminole Tribe v. Florida*, 517 U.S. 44 (1996). That contention is without merit.

In *Seminole Tribe*, the Court held that Congress lacked power under the Indian Commerce Clause to abrogate a State's immunity from suit. The Court did not, however, disturb its holding in *Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976), that Congress has authority to abrogate a State's immunity when acting pursuant to Section 5 of the Fourteenth Amendment. *Seminole Tribe*, 517 U.S. at 59, 65-66. *Fitzpatrick* therefore continues to state the governing principle for cases involving exercises of congressional power under Section 5. Under *Fitzpatrick*, 427 U.S. at 456, "Congress may, in determining what is 'appropriate legislation' for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts."

Petitioner contends (Pet. 11-15) that Congress may not use its Section 5 power to circumvent the limitations on congressional power set forth in *Seminole Tribe*. The only limitations on congressional power set forth in *Seminole Tribe*, however, concern Congress's power to abrogate a State's immunity pursuant to Article I. Because no effort was made to defend the abrogation of immunity at issue in *Seminole Tribe* under Section 5, the Court had no occasion to address the limits on Congress's Section 5 abrogation power. While there are limits on Congress's Section 5 power,

they come from the text of Section 5, which provides that Congress shall have the power to "enforce" by "appropriate" legislation the guarantees of the Fourteenth Amendment, and from this Court's decisions interpreting the scope of that power. See *City of Boerne v. Flores*, 117 S. Ct. 2157 (1997). They do not come from *Seminole Tribe*. Petitioner's reliance on *Seminole Tribe* is therefore entirely misplaced.

2. Petitioner contends (Pet. 15-21) that the Patent Remedy Act is not a permissible exercise of Congress's power under Section 5. As the court of appeals concluded, however, the Patent Remedy Act is "appropriate" Section 5 legislation. Specifically, the Patent Remedy Act is a valid means of ensuring that state entities do not deprive patent holders of property without due process of law.

a. This Court long ago made clear that patents are a form of property. *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) ("A patent for an invention is as much property as a patent for land."); *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 197 (1856) ("For, by the laws of the United States, the rights of a party under a patent are his private property."). Patents give their owners a right to exclude others from using an invention for a certain period, see *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974), and that right of exclusion is among the "most essential sticks in the bundle of rights that are commonly characterized as property." *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979). Because the right of exclusion conferred by a patent is a classic form of property, the Fourteenth Amendment, by its terms, prohibits state entities from depriving patent holders of that right without due process of law. By affording a post-deprivation remedy for patent infringements committed by state entities,

the Patent Remedy Act secures that basic Fourteenth Amendment guarantee.

Petitioner contends (Pet. 17) that the Patent Remedy Act conflicts with the holding in *Flores*, 117 S. Ct. at 2164, that "there must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." Petitioner specifically asserts (Pet. 19) that subjecting state entities that engage in infringing activity to liability for treble damages and attorney's fees is excessive, and that Congress should have relied on *Ex parte Young* actions or suits by the United States instead. Under this Court's decisions, however, "[i]t is for Congress in the first instance to 'determin[e] whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment,' and its conclusions are entitled to much deference." *Flores*, 117 S. Ct. at 2172 (quoting *Katzenbach v. Morgan*, 384 U.S. 641, 651 (1966)). Here, Congress reasonably concluded that, because those who engage in infringing activity may reap substantial financial benefits, a significant deterrent to such activity is necessary. Moreover, as the court of appeals noted, without access to such remedies, "a patent declines drastically in value." Pet. App. 23a. In those circumstances, Congress reached the permissible conclusion that a treble damages remedy and attorney's fees are appropriate to secure the Fourteenth Amendment rights of patent holders.

Petitioner also contends (Pet. 20) that Congress should have relied on state remedies to afford the due process that the Fourteenth Amendment guarantees. But Congress was not required to take a "piecemeal, state-by-state" approach to the enforcement of federal patent rights, Pet. App. 15a, that would leave the

protection of patent rights to "such variations as may exist among the states in remedies [offered] for alleged infringement of patents." *Ibid.* Congress was free to adopt a nationwide approach that would secure a baseline of protection for the Fourteenth Amendment rights of patent holders. *Oregon v. Mitchell*, 400 U.S. 112, 284 (1970) (opinion of Stewart, J.) ("In the interests of uniformity, Congress may paint with a much broader brush than may this Court, which must confine itself to the judicial function of deciding individual cases and controversies upon individual records.").

Congress reasonably regarded a state-by-state approach as particularly unsuitable in the area of patent protection. Because patent cases are "unusually complex, technically difficult, and time-consuming," H.R. Rep. No. 312, 97th Cong., 1st Sess. 22 (1981), Congress has vested exclusive jurisdiction over appeals arising under the Patent Remedy Act in the Federal Circuit, a specialized court that has considerable experience with such cases. See S. Rep. No. 275, 97th Cong., 1st Sess. 6-7 (1981). The substantial benefits of that experience would be lost in a significant class of cases if Congress were required to leave the enforcement of patent rights against state entities to state courts, and disuniformities in the application of federal patent law would be the likely result.

Petitioner argues (Pet. 20-21) that Congress acted without sufficient justification because it did not have evidence of egregious and systematic violations by state entities. To exercise its power under Section 5, however, Congress need not wait for patent infringements by state entities to reach emergency levels. "The legislative record of the Patent Remedy Act * * * discloses significant instances of alleged patent infringement by states or state entities." Pet. App. 21a;

see *id.* at 21a-22a (collecting cases). And Congress had reason to believe that state infringements likely would increase in the future. *Id.* at 22a. That factual record was more than sufficient to justify the remedy that Congress selected.

Finally, at a more basic level, petitioner's reliance on *Flores* ignores the fundamental differences between the Act held unconstitutional in that case and the Act at issue here. The Religious Freedom Restoration Act's "[s]weeping coverage ensure[d] its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter." *Flores*, 117 S. Ct. at 2170. Any action that substantially burdened anyone's religious practice was called into question, "even actions that were otherwise perfectly legitimate." Pet. App. 24a. In contrast, the Patent Remedy Act "speaks only to a state's unauthorized production, use, or sale of a patented device or method." *Ibid.* Congress's decision to subject state entities to suit for engaging in illegal commercial activity simply does not raise the concerns that animated the decision in *Flores*.

b. Petitioner contends (Pet. 22-26) that the decision below conflicts with the Fifth Circuit's decision in *Chavez v. Arte Publico Press*, 139 F.3d 504, rehearing en banc granted (Oct. 1, 1998), which held that Congress lacked authority under Section 5 of the Fourteenth Amendment to abrogate state immunity from suit for copyright infringement. But the Fifth Circuit recently vacated the decision in *Chavez* and ordered that the case be reheard en banc. Because the panel decision in *Chavez* has been vacated, it does not furnish a ground for review in this case.

CONCLUSION

The petition for a writ of certiorari should be denied.
Respectfully submitted.

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In The

Supreme Court of the United States

October Term, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

*On Petition for Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit*

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INTRODUCTION

Florida Prepaid's petition for a writ of certiorari presents a critical and close question of constitutional law which is particularly appropriate for review by this Court. The Court of Appeals' decision has nationwide application, and its reasoning has far-reaching implications. The troubling premise of the decision below is that Congress may deal with sovereign states in the same way that it may deal with private entities. If a remedy may be imposed upon a private party, it may be imposed upon a state. This mistaken assumption clearly undermines our federal system. The decision of the Court of Appeals also improperly redefines "just compensation" from a state to include the right to seek draconian remedies such as treble damages or punitive damages. The result is confusion in the lower courts about the reach of this Court's decisions in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), and *City of Boerne v. Flores*, 117 S. Ct. 2157 (1997), which has an ongoing adverse impact on the state of Florida and other states. Guidance from this Court is imperative when a federal appellate judge concludes that the text of the Constitution mandates an "end-run" around the holding of *Seminole Tribe*. *Chavez v. Arte Publico Press*, 157 F.3d 282, 297-98 (5th Cir. 1998) (Wisdom, J., dissenting), *rehearing en banc granted* (Oct. 1, 1998).

Much of the argument of respondents in opposition to the petition, particularly that of College Savings Bank ("CSB"), is devoted to a defense of the Federal Circuit's decision on the merits. But because respondents implicitly rely, like the Federal Circuit, on the unsound premise that Congress need have no more regard for a state than for a private actor, their reasoning cannot withstand scrutiny. In effect, respondents are attempting to dissuade this Court from reviewing a significant Eleventh Amendment decision while simultaneously refusing even to include in the analysis the most basic purposes of that amendment. Their arguments should be rejected.

I. THE DECISION OF THE COURT OF APPEALS IMPROPERLY DISREGARDS THE SOVEREIGN STATUS OF THE STATES WITHIN OUR FEDERAL SYSTEM.

The holding of the Court of Appeals that states and state agencies may be sued for patent infringement in federal court is based squarely on that court's notion that Congress is free to treat the states exactly like any private actor which Congress wishes to constrain. *See, e.g.*, App. A at 25a ("There is no sound reason to hold that Congress cannot subject a

state to the same civil consequences that face a private party infringer.”). This conclusion ignores core principles of federalism and state sovereignty, threatens to alter the very framework of government crafted by the framers, and renders the opinion below deeply flawed and worthy of review by this Court.

The lower court’s restrictive view of state sovereignty is also directly opposed to this Court’s teachings in *City of Boerne*, which reemphasized that congressional power to burden the states through exercises of Fourteenth Amendment enforcement authority is *not* unlimited. Indeed, the perspective of the Court of Appeals conflicts with virtually the entire range of this Court’s precedents involving the Fourteenth Amendment, all of which explicitly or implicitly recognize that states enjoy a sovereign status within our federal system — a status that Congress must respect and weigh even when enacting legitimate restrictions on the states pursuant to the Fourteenth Amendment. *See, e.g., Pennhurst State School & Hospital v. Halderman*, 451 U.S. 1, 16 & n.12 (1981). Moreover, the view that Congress may treat states like any other actors obviously conflicts with this Court’s Eleventh Amendment precedents and with the Eleventh Amendment itself.

Neither the United States nor CSB makes any effort to defend the position of the Court of Appeals regarding state sovereignty. Neither respondent, in fact, even acknowledges that the decision below is premised on the Federal Circuit’s unsupported view that states are the legal equivalent of private parties.

By ignoring the fact that states are different from private parties, the United States is free to argue that the goal of uniformity in the application of patent law and the enforcement of patents is of paramount concern. *See* Brief for the United States in Opposition (“U.S. Brief”) at 6-7. The United States, however, conflates two very different types of “uniformity.” In certain circumstances it is unquestionably legitimate for Congress, in the exercise of its Fourteenth Amendment authority, to pursue “uniform” enforcement measures. For example, Congress may enact legislation providing for the protection of civil rights such that all persons who are denied the right to vote may utilize the same enforcement mechanisms, regardless of the state in which they reside. This is the general type of “uniformity” at issue in *Oregon v. Mitchell*, 400 U.S. 112 (1970), where the Court approved a nationwide ban on literacy tests.

It is not legitimate, however, for Congress to pursue, at the expense of state sovereignty, its interest in avoiding what the United States describes as “disuniformities in the application of federal patent law.” U.S. Brief at 7. This is an objective that involves congressional power under Article I and has nothing to do with the Fourteenth Amendment. For example, Congress has determined, as the United States notes, that vesting the Federal Circuit with exclusive jurisdiction over patent appeals will yield the most consistent interpretations of patent law. While that congressional goal may be laudable, congressional power to pursue it clearly flows from Article I (and from Article III, insofar as the assignment of federal court jurisdiction is concerned), not from the Fourteenth Amendment.

Respondent United States quotes a passage from Justice Stewart’s opinion in *Oregon v. Mitchell* that gives a misleading impression of the breadth of the Court’s holding concerning Congress’s power to pursue “uniformity” while enforcing the Fourteenth Amendment. The following quotation from Justice Stewart more accurately reflects, in his view, the close link between the permissible pursuit of uniformity and the civil rights context:

Finally, nationwide application may be reasonably thought appropriate when Congress acts against an evil such as racial discrimination which in varying degrees manifests itself in every part of the country. A remedy for racial discrimination which applies in all the States underlines an awareness that the problem is a national one and reflects a national commitment to its solution.

400 U.S. at 284 (Stewart, J., concurring in part and dissenting in part). Under this standard, congressional pursuit of the uniform interpretation of patent laws simply does not qualify as an appropriate exercise of Fourteenth Amendment power.

This Court’s decision in *Seminole Tribe* established that Article I does not confer on Congress the power to curtail state Eleventh Amendment immunity. Accordingly, Congress may not pursue its legislative objectives under Article I by authorizing suits against the states. A congressional interest in the uniform application of the patent laws therefore cannot be employed to help justify the creation of an overbroad Fourteenth Amendment remedial scheme that otherwise would fail the “congruence and proportionality” test of *City of Boerne*.

Thus, respondents plainly err when they contend that *Seminole Tribe* has nothing to do with the issue before this Court. See U.S. Brief at 5; Brief in Opposition for Respondent College Savings Bank ("CSB Brief") at 14-15. *Seminole Tribe* establishes that Congress's Article I powers cannot be used to authorize — in whole or in part — suits against the states in federal court. The decision of the Court of Appeals violates that fundamental principle, as demonstrated by the argument of respondent United States about congressional power to elevate the goal of patent law uniformity above state sovereignty.

Finally, this Court should reject the contention, which is simply a restatement of the "uniformity" argument, that state courts are inherently incapable of dealing with complex patent cases, even in the "takings" context. The Constitution does not proscribe state-court adjudication of patent issues. Congress elected, by statute, to restrict jurisdiction to the federal courts in patent infringement litigation. That decision, which is reversible through legislation, cannot be employed in support of a subsequent statutory effort that burdens *constitutionally protected* state sovereignty. The claim that the participation of inexperienced state courts in any litigation involving patents would disrupt some congressional plan simply does not override the command of the Eleventh Amendment.¹

II. THROUGH THE PATENT REMEDY ACT, CONGRESS HAS PROVIDED A DISPROPORTIONATELY SEVERE REMEDY FOR AN UNDEMONSTRATED CONSTITUTIONAL HARM.

The Patent Remedy Act is unconstitutional insofar as it authorizes patent infringement suits to be brought against state actors in federal court, because the overbroad and burdensome remedial scheme prescribed by Congress for the perceived problem of patent infringement by states is clearly disproportionate to, and incongruent with, the alleged injuries sought to be prevented or redressed. See *City of Boerne*, 117 S. Ct. at 2164. Respondents have addressed this flaw in the statute by both minimizing the burden on the states and exaggerating the scope and severity of the allegedly extant constitutional wrongs.

1. Respondents' argument not only is circular, it ignores the fact that state courts do consider patent and technology issues in various contexts, and are skilled in adjudicating questions of just compensation in many types of litigation, including eminent domain and inverse condemnation cases. Even in federal courts, moreover, factual issues relating to patent infringement are decided by unskilled juries.

As discussed above, respondents minimize the burden on the states created by the Patent Remedy Act by deciding that states and state entities are entitled only to the same treatment private party defendants receive. CSB also dismisses the argument that treble damages and attorneys fees are unduly punitive remedies when imposed on a sovereign, despite the fact that the federal government has generally limited a patent holder's recovery for infringement by the United States to just compensation, rather than the panoply of remedies available in other contexts. See 28 U.S.C. § 1498(a). Congress must be presumed to have understood precisely what it was doing when it enacted the limited federal waiver of sovereign immunity in patent infringement cases. The strict limitations placed on that waiver clearly are based on the premise that opening the federal government to the risk of potentially vast liability created by the general patent statutes is both unnecessary to a constitutionally sound remedial scheme and unduly burdensome to the government as a defendant. Punitive remedies are foreign to the concept of just compensation and conflict with *City of Boerne* because they represent a congressional redefinition of substantive rights under the Fourteenth Amendment.

Respondents exaggerate the scope of the alleged constitutional harm by pleading for deference to poorly supported congressional "findings" concerning the frequency of patent infringement by state actors, see, e.g., U.S. Brief at 6; CSB Brief at 9, 17-18. From the standpoint of the Fourteenth Amendment, however, the relevant harm is not infringement *per se*, but rather the denial of due process for an alleged taking of property. Respondents cannot demonstrate such a denial because there has been no showing that the remedies provided by Florida, or by any other state, are insufficient. CSB wrongly suggests that state courts are completely inadequate forums for the vindication of federal rights, at least where patents are concerned, see CSB Brief at 20-21, but fails to support that contention. Any lack of expertise state courts may have with respect to patents, and any related allegations of denials of due process with respect to patent property, are the result of Congress's own decision to vest the federal courts with exclusive jurisdiction over patent litigation. CSB also insists that only recourse to the full array of statutory remedies for patent infringement can provide "just compensation," CSB Brief at

19-20, a claim unsupported by precedent and belied by the federal government's remedial scheme applied to its own acts of infringement.²

Moreover, respondents have not demonstrated that state *infringement* of a patent, as opposed to outright appropriation by the government, constitutes a "deprivation" of property for purposes of the Fourteenth Amendment. The United States simply assumes, without citation to authority, that patent infringement by a state constitutes a compensable taking of property. See U.S. Brief at 5-6. CSB argues the point by citing *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641 (1915), a relatively routine patent infringement case that involved neither a state actor nor any of the constitutional issues before this Court today. The language extracted from *Dowagiac* regarding patent infringement as a "taking," see CSB Brief at 12, was not intended as a holding on due process issues and certainly cannot be treated as such.

Florida Prepaid does not contend that patent infringement by a state actor can never constitute an unconstitutional taking of property. Nevertheless, there are important issues regarding the effect of a state's intent, see Brief *Amicus Curiae* of the Regents of the University of California in Support of the Petition for a Writ of Certiorari at 5-6 (arguing that negligent state action cannot constitute a compensable taking of property), the authority of Congress to enact a statute remedying unintentional violations of the substantive guarantees of the Fourteenth Amendment, and the degree of harm caused by the infringement compared to the value of the patent as a whole. These issues require the consideration of this Court.

CSB also contends that, because the Fourteenth Amendment "makes no distinction between different forms of property," CSB Brief at 24, any congressional enforcement action permissible in the case of, say, real estate must also be permissible in the patent context. The relevant question, however, is not whether, *in some circumstances and pursuant to some remedial schemes*, patents may be protected by Congress. The question is whether this particular enforcement mechanism, which authorizes suits against the states in federal court and which provides for

2. It should also be noted that throughout its brief, CSB treats its own allegations of patent infringement as proven facts rather than as what they are — mere allegations in pending litigation. The Court should therefore disregard CSB's statements concerning the allegedly widespread "deprivations" it has suffered at the hands of Florida Prepaid and other state actors.

burdensome and intrusive forms of relief, is constitutionally sound. That question cannot be answered by declaring that Congress surely could provide a federal remedy to prevent a state from taking a person's land without just compensation.³ The fact remains that the Patent Remedy Act cannot be reconciled with *City of Boerne* because the remedy provided by this statute is not proportionate to the perceived harm, and the statute goes beyond mere enforcement of the Fourteenth Amendment.

III. THE CHAVEZ CONTROVERSY IN THE FIFTH CIRCUIT ILLUSTRATES THE URGENT NEED FOR GUIDANCE FROM THIS COURT.

Respondents point out that since the filing of the petition by Florida Prepaid, the United States Court of Appeals for the Fifth Circuit has granted rehearing en banc in *Chavez v. Arte Publico Press*, 139 F.3d 504 (5th Cir.), *modified*, 157 F.3d 282 (5th Cir. 1998). The fact that the panel opinion in *Chavez* has been vacated, however, does not diminish the force of the arguments relied on by the panel, nor does it mean that the controversy over the relationship between the Eleventh and Fourteenth Amendments in the intellectual property context is likely to be put to rest by the courts of appeals without intervention by this Court. To the contrary, the tortuous procedural history of *Chavez*⁴ is ample evidence

3. Nor can the question be answered through resort to specious analogies. CSB argues that "money" is property created by Congress pursuant to Article I, and because Congress can protect "money" through the Fourteenth Amendment, surely it can protect patents as well. CSB Brief at 24. The chief problem with this argument, aside from the fact that "money" as a medium of exchange has an ancient history that obviously predates the Constitution, is that the federal government can take a wide variety of actions that can greatly affect the value of the money in a person's possession, none of which are thought to give rise to a claim for compensation. Under CSB's view, an official devaluation of the currency, which arguably would eliminate some of the value of an important type of property in people's possession, could lead to the assertion of "takings" claims in federal court.

4. The Fifth Circuit initially held that a copyright infringement suit against a state entity could be brought in federal court pursuant to the "constructive waiver" doctrine of *Parden v. Terminal Railway of Alabama Docks Department*, 377 U.S. 184 (1964), but this Court vacated that holding and remanded for reconsideration in light of *Seminole Tribe. Chavez v. Arte Publico Press*, 59 F.3d 539 (5th Cir. 1995), *vacated & remanded*, 517 U.S. 1184 (1996). On remand, the Fifth Circuit panel unanimously concluded that *Parden* had not survived *Seminole Tribe*, and

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of the confusion that exists over this difficult issue. Whatever the nature of the Fifth Circuit's en banc decision, one thing is certain: the fundamental constitutional question raised by Florida Prepaid's petition will not have been "resolved." Only this Court can achieve such a resolution.

CSB quotes a portion of Judge Wisdom's *Chavez* dissent in support of CSB's position. See CSB Brief at 19. Ironically, however, the passage quoted actually illustrates the urgent need for this Court to grant certiorari now:

Congress enacted a valid waiver of state sovereign immunity for copyright and trademark infringement cases. It may be that this allows an end-run around *Seminole*, but this end-run is one grounded in the text of the Constitution and well-established precedent.

Chavez, 157 F.3d at 297-98 (Wisdom, J., dissenting). At the very least, Judge Wisdom's candid expression of his views confirms Florida Prepaid's criticism of the holding of the Federal Circuit here: reliance on the Fourteenth Amendment to authorize patent infringement suits against the states circumvents both this Court's holding in *Seminole Tribe* and the important constitutional protections for state sovereignty which that holding reaffirms. Judge Wisdom's reference to "the text of the Constitution and well-established" precedent as support for his view suggests that he considers *Seminole Tribe* either a decision in conflict with a large body of constitutional law, or a "dead-end" precedent that will be of little importance in the future because the force of its holding can be easily evaded by resort to competing legal principles. The prospect of either of these perspectives on *Seminole Tribe* becoming widely established certainly warrants a prompt, preemptive response from this Court. The instant case is the ideal vehicle for the Court's consideration of these matters.

(Cont'd)

that the Fourteenth Amendment does not empower Congress to authorize copyright infringement suits against the states in federal court. *Chavez v. Arte Publico Press*, 139 F.3d 504 (5th Cir. 1998). After the filing of a petition for rehearing, the panel issued a modified opinion that reflected Judge Wisdom's abandonment of the majority position and included his newly prepared dissent. *Chavez v. Arte Publico Press*, 157 F.3d 282 (5th Cir. 1998). The Fifth Circuit then vacated the panel's decision and set the case for rehearing en banc. Argument is scheduled for January 9, 1999.

Finally, to the extent that Judge Wisdom's dissent was influenced by the holding and reasoning of the Federal Circuit in this case, as CSB claims, see CSB Brief at 18, *Chavez* simply demonstrates, as Florida Prepaid has argued, that the decision of the Court of Appeals here will have an adverse impact on state sovereign immunity far beyond the context of patent law. Despite the many shortcomings of the Federal Circuit's decision, it is a published opinion of a federal court of appeals on an important question of constitutional law. If allowed to stand, it will continue to fuel *Chavez*-like debates about the viability of *Seminole Tribe*, to the detriment of states and state agencies across the country.

CONCLUSION

For the foregoing reasons and those stated in Florida Prepaid's petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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IN THE
Supreme Court of the United States
October Term, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK AND UNITED STATES OF AMERICA,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**MOTION FOR LEAVE TO FILE AND BRIEF *AMICUS CURIAE* OF
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA IN
SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI**

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IN THE SUPREME COURT OF THE UNITED STATES
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FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE
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v.

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Respondents.

On Petition for a Writ of Certiorari
To the United States Court of Appeals
for the Federal Circuit

**MOTION OF THE REGENTS OF THE UNIVERSITY OF
CALIFORNIA TO FILE A BRIEF *AMICUS CURIAE*
IN SUPPORT OF THE PETITION FOR A WRIT OF
CERTIORARI**

The Regents of the University of California ("the University") hereby moves, pursuant to Rule 37.2, for leave to file the attached brief *amicus curiae* in support of the petition for writ of certiorari in this case. While the petitioner and the United States have consented to the filing of this brief, respondent College Savings Bank has declined to consent. Correspondence reflecting the consent of the petitioner and of the United States has been lodged with the Clerk.

The Regents of the University of California is a corporation authorized by article IX, § 9(a) of the California Constitution. The University is "a constitutionally created arm of the state," *Regents of the University of California v. City of Santa Monica*, 143 Cal. Rptr. 276, 279 (Cal. Ct. App. 1978), a "branch of the state itself," *Penington v. Bonelli*, 59 P.2d 448, 450 (Cal. Dist. Ct. App. 1936), "a statewide administrative agency," *Ishimatsu v. Regents of the University of California*, 72 Cal. Rptr. 756, 763 (Cal. Ct. App. 1968), and " 'a branch of government equal and coordinate with the Legislature, the judiciary, and the executive.' " 30 Op. Cal. Att'y Gen. 162, 166 (1957). As an arm of the State of California, the University is entitled to assert an Eleventh Amendment immunity in suits against it in federal court. See *Thompson v. City of Los Angeles*, 885 F.2d 1439, 1443 (9th Cir. 1989); *BV Engineering v. University of California, Los Angeles*, 858 F.2d 1394, 1395 (9th Cir. 1988), *cert. denied*, 489 U.S. 1090 (1989); see also *Regents of the University of California v. Doe*, 519 U.S. 425 (1997).

The University is the State of California's "primary state-supported academic agency for research," whose mission is to "provide undergraduate and graduate instruction in the liberal arts and sciences and in the professions," with exclusive jurisdiction over medicine and other fields. Cal. Educ. Code § 66010.4(c) (1988). As a result of its academic research activities, the University has applied for and owns a number of patents.

The University has a substantial interest in the issue presented in this case, which addresses the scope of Congress's power to abrogate a State's Eleventh Amendment immunity thereby making it amenable to suit in federal court for patent infringement. In the decision below, the Federal Circuit held that Congress could constitutionally abrogate a State's Eleventh Amendment immunity in patent infringement suits under the enforcement power conferred upon it by Section 5 of the Fourteenth Amendment, because a patent is "property" that cannot be "deprived" by a State under that Amendment's Due Process clause. Because of the exclusive jurisdiction conferred upon the Federal Circuit with respect to appeals in cases arising under the patent law, 28 U.S.C. § 1295, this issue most likely will not be

considered by any other circuit, and the decision below will govern any case in which a state entity such as the University is sued in federal court by a private party alleging patent infringement.

The University also has a petition for certiorari currently pending before the Court in a patent case. *Regents of the University of California v. Genentech, Inc.*, No. 98-731. The question in that case presents the mirror image of this one: *i.e.*, whether Congress can, under Section 5, abrogate a State's Eleventh Amendment immunity and subject it to suit in federal court when the State is not the alleged *infringer* but the patent *owner*. That case also presents the question of whether a State can be deemed to have waived its immunity simply by owning a patent and threatening to enforce it.

The University believes that the decision below, like the decision for which it has sought review, represents an unwarranted judicial expansion of the congressional power to curtail the States' Eleventh Amendment immunity.

Accordingly, the University moves for leave to file the attached brief *amicus curiae* to assist the Court in evaluating the petition for certiorari in this case.

Respectfully submitted,

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IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1998

No. 98-531

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE
BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK AND UNITED STATES OF AMERICA,

Respondents.

On Petition for a Writ of Certiorari
To the United States Court of Appeals
for the Federal Circuit

**BRIEF *AMICUS CURIAE* OF THE REGENTS OF THE
UNIVERSITY OF CALIFORNIA IN SUPPORT OF THE
PETITION FOR A WRIT OF CERTIORARI**

The Regents of the University of California ("the University") respectfully submits this brief *amicus curiae* in support of the petition for a writ of certiorari in this case.¹

¹ Pursuant to Rule 37.6, the University states that no counsel for any petitioner or respondent authored this brief in whole or in part. Nor did any person or entity, other than the University, make a monetary contribution to the preparation or submission of this brief.

INTEREST OF AMICUS CURIAE

The interest of the University is set forth in the foregoing Motion for Leave to File.

REASONS FOR GRANTING THE PETITION

This patent infringement case is one of two in which the Federal Circuit was recently presented with complex constitutional issues involving congressional authority to abrogate state Eleventh Amendment immunity. The second case is one involving the University. *Genentech v. Regents of the University of California*, 143 F.3d 1446 (Fed. Cir. 1998), *petition for certiorari pending*, No. 98-731.

In both cases, the Federal Circuit's broad holdings that state entities are subject to suit in federal court in patent cases appear to have been reached with little attention to the real issues. Neither opinion satisfactorily addresses the difficult questions presented as to the scope of Congress's authority to strip States of Eleventh Amendment immunity under its power to enforce the Due Process clause of the Fourteenth Amendment. Both cases now have petitions for certiorari pending in this Court.

For the reasons given below, the University supports the petition for certiorari in this case and believes that the interests of justice would be served if both this case and the University's own case, No. 98-731, were considered together.

A. The Decision Below—Which Departs From This Court's Precedents as to The Substantive and Remedial Scope of The Fourteenth Amendment—Deserves Review from This Court Before It Becomes The "Law of the Land" Applicable in All Patent Cases Against State Governments.

In the decision below, the Court of Appeals for the Federal Circuit found that "the patent owned by [the petitioner] is

property." See *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343, 1349 (Fed. Cir. 1998). It therefore concluded that "[p]rotecting a privately-held patent from infringement by a state is . . . a legitimate congressional objective" that Congress can advance by abrogating state Eleventh Amendment immunity under its power to enforce the Due Process clause of the Fourteenth Amendment. *Id.*

Critically absent from the court's opinion is any analysis as to whether a patent owner's property interest in a patent vis a vis the State is "property" that may be "deprived" *within the meaning of the Due Process clause*. As this Court has made clear time and again, not all property interests are "property" for purposes of the constitutional Due Process clause. See *Bishop v. Wood*, 426 U.S. 341, 343-47 (1976); *Memphis Light, Gas & Water Div. v. Craft*, 436 U.S. 1, 11-12 (1978); *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 430 (1982). Nor is all interference with property a "deprivation" in the constitutional sense. See *Mathews v. Eldridge*, 424 U.S. 319 (1976); *Hudson v. Palmer*, 468 U.S. 517, 533 (1984); *Daniels v. Williams*, 474 U.S. 327 (1986).

Even more troubling, the Federal Circuit failed to address the question whether Congress can validly abrogate state immunity to enforce the Fourteenth Amendment when there was no evidence that the States had denied private parties alleging state interference with their patent rights "due process of law" in their own courts.

The conclusion of the Court of Appeals that the claimed infringement implicates the Due Process clause is suspect in every relevant aspect:

1. Patents are a notable exception to the Court's general observation that property interests "are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law." *Board of Regents v. Roth*, 408 U.S. 564, 577 (1972) (due process claim); see also *Webb's Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 161 (1980)

(takings claim). Patents do, in fact, find their source directly under the Constitution. Specifically, they are created under Congress's article I power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. I, § 8[8].

"[The patent monopoly] did not exist at common law . . . It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes." *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923), quoting *Gayles v. Wilder*, 51 U.S. 477, 494 (1850). As a creature of statutory law, the "bundle of rights" that make up a patent are those that Congress has conferred under its article I powers. See 35 U.S.C. § 261 ("Patents shall have the attributes of personal property."). One of these rights is the right to sue others for infringement in federal court. See 35 U.S.C. § 271. However, the bundle of rights that make up a patent never included the right to sue a State in federal court, at least not since the ratification of the Eleventh Amendment in 1798. Congress only attempted to add that right to the bundle of rights that make up a patent in 1992, when it amended the Patent Act to include state entities as potential defendants in infringement actions. See Patent and Plant Variety Protection Remedy Clarification Act of 1992, Pub. L. No. 102-560, 106 Stat. 4230, codified at 35 U.S.C. §§ 271(h), § 296.

The Federal Circuit's *ipso facto* conclusion that Congress can exercise its section 5 enforcement power to abrogate state Eleventh Amendment immunity simply because a patent is "property" ignores that this particular type of property is created under Congress's article I powers. And Congress does not have the power, under article I, to subject unconsenting States to suit in federal court. This Court made perfectly clear in *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996), that

Even when the Constitution vests in Congress complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private

parties against unconsenting States. The Eleventh Amendment restricts the judicial power under Article III, and *Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction.*

Id. at 72-73 (emphasis added; footnote omitted).

The decision below glosses over the question whether Congress can constitutionally include within the "bundle of rights" that it has created in a patent the right to sue a State in federal court, when the Eleventh Amendment would otherwise prevent such a suit. Instead, it simply notes that patents were "considered property at the time of the adoption of the Fourteenth Amendment," 148 F.3d at 1352, without considering what rights were part of that property interest. Cf. *Seminole Tribe*, 517 U.S. at 73 n. 16 ("Although the copyright and bankruptcy laws have existed practically since our nation's inception . . . there is no established tradition in the lower federal courts of allowing enforcement of those federal statutes against the States.")

In short, the Court of Appeals' assumption that the "property" interest of a patentee includes the right to sue a State in federal court is supported neither by the constitutional power under which the property was created nor by historical tradition.

2. In summarily concluding that "such central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states," 148 F.3d at 1352, the Federal Circuit also assumed, without analysis, and incorrectly, that patent infringement by a State amounts to a constitutional "deprivation" of property.

This Court has emphasized that "property" is "deprived" within the meaning of the Fourteenth Amendment only when a state actor has acted intentionally and the action represents an arbitrary exercise of governmental power. In *Daniels v. Williams*, 474 U.S. 327 (1986), the Court stated that the guarantee of due process applies only to "*deliberate* decisions of government officials to deprive a person of . . . property." *Id.* at 331 (emphasis

added). This limitation on the definition of what constitutes a "deprivation" for constitutional purposes "reflects the traditional and common-sense notion that the Due Process Clause . . . was intended to secure the individual from the arbitrary exercise of the powers of government." *Id.* Thus, negligent conduct by a state official, "even though causing injury," does not constitute a deprivation under the Due Process Clause. *Id.*; see also *Davidson v. Cannon*, 474 U.S. 344, 347-48 (1986) ("lack of care simply does not approach the sort of abusive government conduct that the Due Process Clause was designed to prevent").

In sharp contrast, liability for patent infringement may be proven without any showing of intent. See *Warner-Jenkison Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 32 (1997); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 478 (1974); *Intel Corp. v. U.S. Int'l Trade Comm'n*, 946 F.2d 821, 832 (Fed. Cir. 1991). As one court explained early on:

This question [of infringement] is one irrespective of motive. The defendant may have infringed without intending, or even knowing it; but he is not, on that account, the less an infringer. His motives and knowledge may affect the question of damages, to swell or reduce them; but the immediate question is the simple one, has he infringed?

Parker v. Hulme, 18 F. Cas. 1138, 1143 (C.C.E.D. Pa. 1849).

Thus, the fact of infringement does not, as the court below assumed, necessarily constitute a "deprivation" of property in the constitutional sense.

3. Finally, the decision below assumes that infringement patent by a state entity can constitute a constitutional deprivation "without due process of law," sufficient for Congress to invoke its Section 5 enforcement powers, even though there was no evidence in the legislative record that other remedies were not available.

There is no insufficiency of process available to patent owners. Prior to the Congress's abrogation of immunity in 1992, the Federal Circuit indicated that a patent owner's remedy against state infringement was by means of a suit for a taking without just compensation or other similar proceeding in state court. See *Chew v. State of Cal.*, 893 F.2d 331, 336 n.5 (Fed. Cir.) (lack of abrogation provision in patent statutes "simply forecloses one avenue of recourse"), *cert. denied*, 498 U.S. 810 (1990); *Jacobs Wind Elect. v. Florida Dep't of Transp.*, 919 F.2d 726, 728 (Fed. Cir. 1990) (the patent owner's "contentions that it is left without any remedy in Florida and that a Florida court cannot pass on the validity of a patent are simply wrong"). In light of these precedents, the Court of Appeals in the decision below did not find that States had been depriving patent owners of their property "without due process of law" but held only that the additional right to sue a State under Title 35 for infringement gives patent owners "access to the remedies of attorney fees and treble damages." 148 F.3d at 1354, *citing* 35 U.S.C. §§ 284, 285. However, no court has found that attorney fees and the possibility of treble damages are constitutionally required components of "due process."

This Court has been loathe to find that the Constitution is offended by the actions of state or local officials if those actions can be addressed through state remedies. See *Parratt v. Taylor*, 451 U.S. 527 (1981) (no violation of due process if State makes post-deprivation remedy available); *Williamson Co. v. Regional Planning Comm'n v. Hamilton*, 473 U.S. 172 (1985) (no violation of Takings Clause if claimant has not first sought compensation through state procedures). The Federal Circuit's finding that an abrogation of Eleventh Amendment immunity that applies to all States can be upheld as an appropriate enforcement of the Due Process clause applicable to each State regardless of the process available in its own courts flies in the face of the principles informing these decisions.

Furthermore, even if there were no adequate remedy in the state courts, the ineligibility of a patent holder to bring an infringement action against a state in a state forum is not the result of state action (for many if not most States have waived sovereign immunity in their own courts sufficiently to accommodate an

appropriate action based on infringement of a patent). Rather, it is the result of a congressional decision to confer exclusive jurisdiction in patent infringement actions on the federal courts. Thus, to the extent there is insufficient process available to patent owners to meet the Fourteenth Amendment standard, its cause is federal, not state, action. Section 5 of the Fourteenth Amendment may not justify intrusion on state rights to remedy injuries caused by federal action.

In sum, the opinion below, in finding a valid exercise of Congress's authority under the Fourteenth Amendment, fails adequately to address whether (1) there is a constitutionally-protected property interest, (2) that is at the risk of intentional deprivation, (3) without due process of law—all of which are elements of the substantive provisions of Section 1 of the Amendment, the source of rights allegedly being “enforced” pursuant to Section 5.

4. Respondents might argue that any deficiencies in the court's constitutional analysis can be forgiven under this Court's decision in *City of Boerne v. Flores*, 117 S. Ct. 2157 (1997), which addressed the scope of Congress's enforcement power under Section 5. *City of Boerne* recognized that Congress's Section 5 authority might extend beyond prohibition of pure constitutional violations. *Id.* at 2164. However, the case also makes clear that the predicate for exercise of the Section 5 power is that it be directed to preventing or remedying a constitutional violation (even if other violations are prevented or remedied as well), *id.* at 2164, and there is no constitutional violation that can justify Congress's exercise of power here.

Moreover, even if there is a constitutional harm sufficient to invoke Congress's Section 5 authority, *City of Boerne* requires a “congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end.” *Id.* The abrogation of state Eleventh Amendment immunity for patent actions in 35 U.S.C. §§ 271(h) and 296 does not satisfy this “proportionality” standard.

In upholding the abrogation of a State's Eleventh Amendment immunity in patent actions, the Federal Circuit Court of Appeals repeatedly analogized Congress's power to abrogate a State's immunity to its imposition of liability on private parties. The court held that it was proper for the Congress to subject a State found to have infringed a patent to “the same consequences as a private party infringer.” 148 F.3d at 1355. It maintained that there “is no sound reason . . . that Congress cannot subject a state to the same civil consequences that face a private party infringer.” *Id.* And it noted that the patent laws “subjects states to no greater burdens than those that must be shouldered by private parties.” *Id.*

It was error for the court to treat a State like a private party and not a sovereign entity. This Court's Eleventh Amendment jurisprudence is founded on the notion that the Constitution recognizes States as sovereign governments operating within the federal system. *Seminole Tribe*, 517 U.S. at 68. Eleventh Amendment immunity reflects that “States of the Union, still possessing attributes of sovereignty, shall be immune from suits, without their consent, save where there has been a ‘surrender of this immunity in the plan of the convention.’ ” *Principality of Monaco v. Mississippi*, 292 U.S. 313, 323 (1934). Thus, “[t]he Eleventh Amendment does not exist solely in order to ‘preven[t] federal court judgments that must be paid out of a State's treasury,’ . . . it also serves to avoid ‘the indignity of subjecting a State to the coercive process of judicial tribunals at the instance of private parties.’ ” *Id.* at 58, quoting *Hess v. Port Authority Trans-Hudson Corp.*, 513 U.S. 30, 48 (1994), and *Puerto Rico Aqueduct and Sewer Authority v. Metcalf & Eddy*, 506 U.S. 139, 146 (1993).

In assessing whether the abrogation of immunity in the patent laws reflects a “congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end,” one compelling comparison is to look to how the law treats the sovereign Federal government. A comparison of the standard to which the Federal government holds itself, compared to what is has imposed on the States, illustrates a lack of proportionality fatal to any reliance on *City of Boerne* to uphold the sweeping abrogation clauses at issue here.

Congress has waived the federal government's immunity from suit in patent actions in 28 U.S.C. § 1498(a). An action for infringement actions against the federal government is considered an eminent domain action, not a suit in tort as it is for private infringers. See *Leesona Corp. v. United States*, 599 F.2d 958, 966-67 (Ct. Cl.), *cert. denied*, 444 U.S. 91 (1991); see also *Decca Ltd. v. United States*, 544 F.2d 1070, 1082 (Ct. Cl. 1976). Suit must be brought in the Federal Court of Claims, and recovery for federal infringement is limited to "just compensation." See *Leesona*, 599 F.2d at 964. A patent owner may not seek injunctive relief against the Federal government for infringement. Moreover, the federal government is not liable for attorney's fees and costs unless the patent owner successfully claiming infringement is "an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention" and the position of the United States in the infringement litigation was not substantially justified. 28 U.S.C. § 1498(a).

Even assuming that Congress can, under *City of Boerne*, exercise its Section 5 enforcement powers to prevent harms that do not rise to the level of constitutional "deprivations," it is not proportional to the harm prevented for the federal government to impose upon the sovereign States liabilities that it will not assume for itself—namely, the possibility of treble damages, statutory damages, attorney's fees and costs in all cases, and lost profits, none of which are part of the "just compensation" calculation under 28 U.S.C. § 1498(a).

Because of the exclusive jurisdiction conferred upon the Federal Circuit with respect to appeals in cases arising under the patent law, 28 U.S.C. § 1295, no other court will likely have the opportunity to consider these issues, and the decision below will result in the abrogation of state Eleventh Amendment immunity being upheld in all suits against a State for patent infringement. *Amicus* respectfully suggests that such a significant holding, with such obvious gaps in its analysis and errors in its reasoning, is entitled to certiorari review by this Court before it becomes the "law of the land."

B. This Case, Together With the Petition in No. 98-731, Presents An Opportunity for the Court to Resolve Several Related Questions of Importance Concerning the Immunity of States From Federal Court Suits in the Patent Context.

This case, and the case currently pending in which the University is seeking certiorari, *Regents of the University of California v. Genentech, Inc.* (No. 98-731), present complementary issues concerning the application of States' Eleventh Amendment immunity in the context of federal patent statutes, and should be considered together.

This case presents the issue whether the abrogation of Eleventh Amendment immunity in patent cases is sustainable as an appropriate exercise of congressional authority under Section 5 when the State is being sued as the alleged *infringer*. The University's case presents the question of the power of Congress to abrogate state immunity in the context of the State as patent owner. In No. 98-731, the University was sued in federal court by a private party seeking a declaratory judgment that the University's patent was invalid or unenforceable. The District Court dismissed the action, holding that the Patent Act's abrogation provision could not be construed to allow declaratory judgment actions against the States because Congress did not have the authority under Section 5 to abrogate state immunity where the plaintiff bringing suit had "no property right in the subject patent." *Genentech v. Regents of the University of California*, 939 F. Supp. 639 (S.D. Ind. 1996). The court further held that because the plaintiff was free to continue its activities until the University lodged an infringement action and secured a judgment in its favor, it "will have gotten due process of law before a deprivation occurs." *Id.*

The Federal Circuit reversed. 143 F.3d 1446 (Fed. Cir. 1998). Although it considered whether the authority conferred upon Congress by Section 5 included the authority to abrogate immunity in suits where the State was the patent owner, it ultimately rested its decision on the conclusion that the University had waived its immunity by owning a patent and threatening to

enforce it. The University's case thus also presents the question whether waiver of Eleventh Amendment immunity can be achieved by implication, whether or not it is within the power of Congress to accomplish directly by abrogation, whenever a state instrumentality enters an area that is the subject of federal law or regulation.

Joint consideration of the issue presented in this case and those presented in No. 98-731 would promote efficient judicial administration and would be particularly beneficial to litigants. By reviewing the decision below, this Court will be in a position, particularly if it also grants certiorari in the University's case, to announce a coherent and complete set of holdings as to the application of the Eleventh Amendment in an important area of federal law.

CONCLUSION

For the reasons set forth above, this Court should grant the petition for a writ of certiorari to the United States Court of Appeals for the Federal Circuit.

Respectfully submitted,

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No. 98-531
In The
SUPREME COURT OF THE UNITED STATES
October Term, 1997

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,
Petitioner,

v.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,
Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**BRIEF AMICI CURIAE OF OHIO, ALABAMA,
ALASKA, CALIFORNIA, COLORADO, DELAWARE,
HAWAII, ILLINOIS, LOUISIANA, MARYLAND,
MICHIGAN, MISSISSIPPI, NEVADA, NEW YORK,
OKLAHOMA, OREGON, SOUTH CAROLINA, TENNESSEE,
TEXAS, UTAH, WEST VIRGINIA, WYOMING AND THE
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INTEREST OF THE AMICI

Amicus State of Ohio and twenty-three other amici States write in support of Petitioner Florida Prepaid Postsecondary Education Expense Board to urge the Court to grant the petition. The Patent Remedy Act permits private parties to bring money-damages actions against States in federal court. See 35 U.S.C. §§ 271(h), 296. The issue here is whether Congress exceeded its authority in abrogating the States' immunity from such actions in light of the Eleventh Amendment and the principles of State sovereign immunity that it secures.

The States have an immediate and vital interest in the matter. Nineteen other States (besides Florida) have educational savings programs similar to the one at issue here. Appendix. And many of them face the threat of damages claims initiated by the respondent in this case, College Savings Bank. Appendix. Nor are these the only types of State intellectual property initiatives that have been challenged in money-damages actions brought by private parties in federal court. There are others as well. See, e.g. *Genentech, Inc. v. Regents of the Univ. of Cal.*, 939 F. Supp. 639 (S.D. Ind. 1996) (recombinant DNA patent held by University). The States face considerable costs in defending these cases, to say nothing of the potential damages and attorney fees in losing them.

More than just money, however, explains the States' opposition to the Federal Circuit's decision. In holding that Congress may create such causes of action under section five of the Fourteenth Amendment, the lower court neglected the recent teachings of *City of Boerne v. Flores*, 521 U.S. 507 (1997), and sidestepped the requirements of *Seminole Tribe v. Florida*, 517 U.S. 44 (1996).

In the aftermath of *Seminole Tribe* and *City of Boerne*, the lower federal courts have reached conflicting results in defining the scope of Congress's power under section five of the Fourteenth Amendment to abrogate the States' Eleventh

Amendment immunity from suit in federal court. Compare *Coger v. Board of Regents*, 154 F.3d 296 (6th Cir 1998), petition for cert. filed, (U.S. Nov. 18, 1998)(No. 98-821), with *Humenansky v. Regents of the Univ. of Minn.*, 152 F.3d 822 (8th Cir. 1998) (claims under Age Discrimination in Employment Act); *Knussman v. State of Md.*, 935 F. Supp. 659 (D. Md. 1996), with *Thomson v. Ohio State Univ. Hosp.*, 5 F. Supp. 2d 574 (S.D. Ohio 1998) (claims under the Family and Medical Leave Act); *Oregon Short Line R.R. v. Department of Revenue Oregon*, 139 F.3d 1259 (9th Cir. 1998) with *Union Pac. R.R. v. State of Utah*, 996 F. Supp. 1358(D. Utah 1997) (claims under the 4-R Act). However, in the intellectual property area, only the Federal Circuit has expanded Congress's powers under the Fourteenth Amendment to allow abrogation of the States' Eleventh Amendment immunity.

In each of these areas, the first principles of a limited national government embodied in *Seminole Tribe* and *City of Boerne* do far more than just protect State government fiscs. They ultimately further the transcendent goal of federalism -- that individual liberty is most effectively secured by dividing the country into national and State governments, each with well-preserved and separate sovereign powers. In the interest of preventing the dilution of these critical principles, the *amici* States submit this brief for the Court's consideration.

REASONS FOR GRANTING THE WRIT

I. THE ISSUE IS A RECURRING ONE AND THE FEDERAL CIRCUIT'S RESOLUTION OF IT CONFLICTS WITH THE REASONING OF TWO OTHER COURTS OF APPEALS.

In several respects, the lower court's decision concerns matters of national import that warrant the Court's attention. In

the first place, as a decision from the Federal Circuit regarding federal patent law, the ruling controls all similar actions against the States that now are pending, or later may be filed, in federal district courts throughout the country. Already there are at least nine States threatened with suit regarding this particular patent alone, as well as others regarding other patents. See Appendix. The Federal Circuit of course has exclusive jurisdiction in overseeing all of these actions. That no other lower court, whether State or federal, has authority to resolve this issue differently from the Federal Circuit by itself supports reviewing the issue now rather than later and using this case as the vehicle for doing so.

Nor does this matter involve one of the traditional kinds of legal issues resolved by the Federal Circuit, many of which do not warrant prompt review. The case does not concern a run-of-the-mill interpretation of federal patent law, but rather a constitutional issue whose whole point is to let the States rather than Congress dictate when and where their sovereign immunity from money-damages actions may be abrogated. Since the essence of the Eleventh Amendment is to prevent the States from being subjected to these actions at all and since the Federal Circuit is unlikely to have any reason to reconsider this issue, the customary instinct to allow federal questions to percolate in the lower courts does not apply in this unique setting.

Lastly, the reasoning of the Federal Circuit's decision directly conflicts with the reasoning of three other courts of appeals on closely-related issues. All four decisions start, at least initially, on common ground. In the Federal Circuit's eyes, as in the eyes of the other lower courts, *Seminole Tribe* bars Congress from using its Article I powers (here, its powers under the Patent Clause, Art. I, § 8, cl. 8) to abrogate the States' Eleventh Amendment immunity from money-damages actions in federal court. The Federal Circuit, however, then parted company with the other courts in determining whether Congress

could preserve this portion of the Patent Remedy Act, 35 U.S.C. §§ 271(h), 296, on the ground that it was enforcing the Due Process Clause under section five of the Fourteenth Amendment. The court of appeals concluded that it could do so because the legislation protected "property" rights -- a patent created under Congress's Article I powers -- from being deprived without due process.

The Fifth, Third, and Fourth Circuits followed a different course in directly analogous settings. In the Fifth Circuit case, *Chavez v. Arte Publico Press*, 157 F.3d 282 (5th Cir. 1998) *reh'g en banc granted* (Oct. 1, 1998), the court addressed whether a similar claim could be brought in federal court to vindicate an alleged copyright violation. In concluding that it could not, the court held that "[c]opyrights are indeed a species of property" created under Congress's Article I powers but that the contention that a copyright infringement claim is protected by the Due Process Clause "proves too much." In the court's words:

If [plaintiff's argument] rests on the uniqueness of the property interest created by federal law, . . . then it is a direct end-run around *Seminole's* holding that Article I powers may not be employed to avoid the Eleventh Amendment's limit on the federal judicial power. Congress could easily legislate "property" interests and then attempt to subject states to suit in federal court for the violation of such interests. This end-run is just as possible under a liberal interpretation of the Due Process Clause . . . as it was under theories of Article I rejected by the court in *Seminole*.

157 F.3d at 289. Congress's copyright and patent powers of course stem from the same provision in the Constitution, Article

I, § 8, cl.8. Yet in the Federal Circuit, these claims may be brought in a federal district court, while in the Fifth Circuit they may not. The difference of opinion is outcome-dispositive, concerns an exceedingly important matter and is recurring in nature.

The Third Circuit sided with the Fifth Circuit in reviewing an analogous claim under the Lanham Act, which addresses trademark and unfair competition claims. It, too, found reliance on the Fourteenth Amendment in this setting to be an "end-run" around *Seminole Tribe* and *City of Boerne*.

If a state's conduct impacting on a business always implicated the Fourteenth Amendment, Congress would have almost unrestricted power to subject states to suit through the exercise of its abrogation power. Congress could pass any law that tangentially affected the ability of businesses to operate and then create causes of action against the states in federal court if they infringed on those federally created rights. The result would be unacceptable and would conflict directly with the strict limits on Congress' powers to abrogate a state's Eleventh Amendment immunity.

College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board, 131 F.3d 353, 361 (3d Cir. 1997).

Similarly, when confronted with an analogous "property" rights argument under the Bankruptcy Clause of Article I, the Fourth Circuit also diverged from the Federal Circuit. In its view, reliance on section five of the Fourteenth Amendment was "a post hoc justification for Congress' attempted abrogation," and "would require us to ignore the result in *Seminole*" and *City of Bourne*.

If the Fourteenth Amendment is held to apply so broadly as to justify Congress' enactment of the Bankruptcy Code as a requirement of due process, then the same argument would justify every federal enforcement scheme as a requirement of due process under the Fourteenth Amendment. Clearly, the Indian gaming regulation at issue in *Seminole* would itself have been subject to this style of constitutionalization

In re Creative Goldsmiths, 119 F.3d 1140, 1146-47 (4th Cir. 1997). See also *In re Sacred Heart Hospital of Norristown*, 133 F.3d 237, 243-45 (3d Cir. 1998) (rejecting abrogation under the Bankruptcy Code and noting that there is no constitutional right to discharge in bankruptcy); *In re Light*, 1996 U.S. App. LEXIS 16575 (9th Cir. June 20, 1996) (no abrogation of Eleventh Amendment in Bankruptcy Code).

In the end, the Federal Circuit stands alone among the courts of appeals in its interpretation of the interaction of Congress's Article I powers and the Eleventh and Fourteenth Amendments in the intellectual property area. The Federal Circuit is the only court of appeals to allow Congress to enforce an Article I property-right claim under section five of the Fourteenth Amendment. For this reason alone, the Court should grant the writ.

II. THE DECISION BELOW DISREGARDS THE COURT'S RECENT HOLDINGS IN *SEMINOLE TRIBE* AND *CITY OF BOERNE*.

In addition to issuing an important interpretation of federal law that conflicts with several other courts of appeals, the Federal Circuit's holding -- that Congress may regulate

patents under its Fourteenth Amendment enforcement powers -- is manifestly wrong. The Federal Circuit held that Congress may abrogate sovereign immunity of the States under the Patent Clause, Art. I, § 8, cl. 8, through its Fourteenth Amendment enforcement powers. Taking the view that the Florida agency "deprived" respondent of its patent rights "without due process of law," the court found that Congress has the ability to enforce those rights by abrogating the State's Eleventh Amendment immunity. This interpretation, however, cannot be squared with the Court's recent holdings in *Seminole Tribe* and *City of Boerne*.

The Patent Remedy Act provides that States may be sued for money damages in patent infringement cases in federal courts. 35 U.S.C. §§ 271(h), 296 (1994). Congress thus "unequivocally expressed its intent to abrogate the immunity." *Green v. Mansour*, 474 U.S. 64, 68 (1985). As in *Seminole Tribe*, the inquiry is "narrowly focused on one question: Was the Act in question passed pursuant to a constitutional provision granting Congress such power?" *Seminole Tribe*, 517 U.S. at 59. In other words, does the Fourteenth Amendment grant Congress the power to abrogate the States' sovereign immunity in patent infringement cases?

In the Federal Circuit's view, two factors supported congressional power. The court thought it "beyond cavil" that a federal patent constitutes "property" entitled to due process protection. And the court thought that "[p]rotecting a privately-held patent from infringement by a state is certainly a legitimate congressional objective under the Fourteenth Amendment, which . . . empowers Congress to prevent state-sponsored deprivation of private property." *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343, 1349 (Fed. Cir. 1998).

The first problem with this analysis is its circularity. If Congress may not use its Article I powers to augment jurisdiction of Article III courts, as *Seminole Tribe* holds, then surely Congress cannot use its Article I powers to create "property" interests (*e.g.*, a federal patent) that then allows it to do the same thing through the Fourteenth Amendment. Otherwise, there is little Congress could not regulate under the Fourteenth Amendment. Such an horizonless grant of authority to the national government would transform it from one of limited to one of unlimited powers. And in the end, this theory would result in "a direct end-run around *Seminole*'s holding that Article I powers may not be employed to avoid the Eleventh Amendment's limit on the federal judicial power." *Chavez II*, 157 F. 3d at 289.

There is a second independent problem with this analysis. Even if *Seminole Tribe* somehow permitted the abrogation of the States' immunity from suit via the creation of Article I property interests, *City of Boerne* affirmatively bars its application here. In *City of Boerne*, the Court made clear that Congress's power under section five of the Fourteenth Amendment is remedial, not substantive. 521 U.S. 507, 138 L. Ed.2d 624, 638. Part and parcel of that conclusion is that there must be "a congruence between the means used and the ends to be achieved. The appropriateness of remedial measures must be considered in light of the evil presented." *Id.* at 645. Just such a congruence existed under the Voting Rights Act but not under the Religious Freedom Restoration Act (RFRA), *City of Boerne* concluded. *Id.* at 645-47. Under the former, there had been numerous examples of generally-applicable laws passed because of racial animus, making Congress's response with the Voting Rights Act proportionate to a great and widespread evil in the States. Under the latter, there were no modern examples of laws passed because of religious bigotry. RFRA therefore was a disproportionate response to the alleged problem of general laws having an incidental effect on religious practices.

The Patent Remedy Act, as applied to the States, falls on the RFRA, not the Voting Rights Act, side of the section five line. It represents an unwarranted response to an unproven, and indeed virtually nonexistent, harm. If anything, the Patent Remedy Act has even less evidence supporting it as a remedial measure than RFRA did. The *amici* States are not aware of a single State law that pervasively or even occasionally infringes patents held by private parties. And while there are no doubt examples of private parties alleging that State agencies have infringed privately-held patents, the congressional record is utterly devoid of any pattern of judicial holdings that States have in fact infringed such patents. The most the record could show is that States and private parties have occasionally had good-faith disagreements about the scope of certain patents.

Considering the complete lack of any pattern of harm, the remedy offered by Congress is out of proportion to any State infringement of patents, imagined or real. The Patent Remedy Act provides for, among other things, treble damages and attorney's fees. This can hardly be considered a "proportionate" response to anything but a serious and pervasive problem. In addition, there is little evidence that property is taken "without due process." Virtually all States have "takings" laws under which aggrieved parties may sue. *See, e.g. Jacobs Wind Electric Co. v. Florida Dept. of Transp.*, 626 So. 2d 1333 (Fla. 1993). In addition, parties may sue in federal court under *Ex Parte Young*, 209 U.S. 123 (1908), and receive injunctive relief. Accordingly, even accepting the contention that federal patents are property rights that must be protected by due process, Congress's "remedy" is out of all proportion to the alleged harm. The Court should accept the petition to reaffirm this foundational principle.

CONCLUSION

For the foregoing reasons, the Court should grant the writ.

Respectfully submitted,

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November 1998

APPENDIX**STATE PROGRAMS FOR PREPAID TUITION**

State	Law	Litigation
Alabama	Ala. Code § 16-33C-6 (1991)	threatened by CSB
Alaska	Alaska Stat. § 14.40.803-14.40.817 (1991)	
Colorado	Colo. Rev. Stat. § 23-3.1 et seq.	
Florida	Fla. Stat. § 240.551(1), (3)	suit filed by CSB
Illinois	110 Illinois Comp. Stat. 979/1 et seq.	
Maryland	Md. Code § 18-1902 et seq. (1997)	threatened by CSB
Massachusetts	Mass. Gen. Laws 15C	
Michigan	Mich. Comp. Laws Ann. § 390.1427 (West 1988)	threatened by CSB
Mississippi	Miss. Code § 37-355-1 et seq.	threatened by CSB

State	Law	Litigation
Nevada	Nev. Rev. Stat. § 353(B)	
Ohio	Ohio Rev. Code Ann. 3334.02 (1990 & Supp. 1994)	threatened by CSB
Oregon	(pending voter approval)	threatened by CSB
Pennsylvania	Pa. Cons. Stat. § 6901.309(c)(1992)	
South Carolina	S.C. Code Ann. § 59-4-10; Budg. & Contol. Regs R. 19-2000 et seq.	threatened by CSB
Tennessee	Tem. Code Ann. § 49-7-801 (1998)	
Texas	Tex. Code Ann. § 54.633 (1995)	threatened by CSB
Virginia	Va. Code Ann. § 23-38.75 et seq.	threatened by CSB
Washington	Wash. Rev. Code 28B.95.010 et seq.	
West Virginia	West. Va. Code § 1830 et seq.	

State	Law	Litigation
Wyoming	Wyo. Stat. § 21-16-502 (1991)	

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No. 98-531

Supreme Court, U. S.

FILED

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In The

CLERK

Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR FEDERAL CIRCUIT

JOINT APPENDIX

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PETITION FOR CERTIORARI FILED SEPTEMBER 28, 1998

CERTIORARI GRANTED JANUARY 8, 1999

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 The following opinions have been omitted in printing this joint appendix since they appear on the following pages in the appendix to the <i>Petition for Certiorari</i> :	
Opinion of the United States Court of Appeals for the Federal Circuit Dated June 30, 1998	1a
Opinion of the United States District Court for the District of New Jersey Dated December 13, 1996	27a

LIST OF RELEVANT DOCKET ENTRIES

<u>Date</u>	<u>Proceedings</u>
12/16/96	Order denying motion to dismiss for lack of jurisdiction; and in CY95-4516: granting defendant's motion to dismiss (signed by Judge Garrett E. Brown, Jr.)
12/16/96	Memorandum opinion (signed by Judge Garrett E. Brown, Jr.)
3/25/97	Docket sheet, <i>College Savings Bank v. Florida Prepaid</i> , Civ. No. 94-5610 (GEB)
11/7/94	Complaint
3/23/95	Notice of Motion to Dismiss, or to transfer case by Florida Prepaid. Motion hearing set for 10:00, 4/17/95 on motions
3/23/95	Affidavit of William W. Montjoy for Florida Prepaid in support regarding motion to dismiss
5/4/95	Minute entry: Proceedings recorded by ESR; Carothers; Minutes of: 5/4/95; The following actions were taken, denying motion to dismiss and motion to transfer case by Judge Garrett E. Brown, Jr.
5/5/95	Order denying motion to dismiss; denying motion to transfer case (signed by Judge Garrett E. Brown, Jr.)
5/17/95	Transcript of motion taken on 5/4/95

Relevant Docket Entries

5/17/95 Answer to complaint; jury demand and counterclaim by Florida Prepaid against College Savings Bank

12/4/95 Amended answer to complaint and counterclaim by Florida Prepaid: amends answer; jury demand

2/7/96 Amended answer with amended counterclaim by Florida Prepaid amends answer; jury demand

2/8/96 Answer by College Savings Bank to amended counterclaim

5/14/96 Notice of motion to dismiss for lack of jurisdiction by Florida Prepaid. Motion hearing set for 10:00, 6/10/96 on motion

7/15/96 Declaration of William W. Montjoy on behalf of Florida Prepaid

7/30/96 Order, adding USA as an Intervenor; and setting briefing schedule (signed by Judge Garrett E. Brown, Jr.)

2/11/97 Notice of appeal filed at 8:30 a.m. by Florida Prepaid re: order. Fee status: (paid \$105.00; rec. no. 230402). Copies of notice of appeal sent to USCA for the Federal Circuit and Attorney(s): Ronald Gould, Anne Mason, Arnold B. Calmann, Robert G. Sheperd, W. Scott Simpson

3/6/97 Transcript of proceedings taken on 11/4/96

Relevant Docket Entries

5/17/96 Plaintiff, College Savings Bank's Memorandum in Opposition to Defendant's Motion to Dismiss College Savings Bank's Patent Infringement Action

5/28/96 Defendant's Reply Memorandum of Law in Support of Its Motion to Dismiss

9/6/96 Brief of Intervenor United States of America in Opposition to Defendant's Motion to Dismiss

9/23/96 Defendant's Reply to Intervenor's Opposition to Motion to Dismiss

10/11/96 Reply of Intervenor United States of America to Defendant's Responses Regarding Motions to Dismiss

10/14/96 Reply Brief of College Savings Bank in Further Opposition to Defendant's Motions to Dismiss

5/28/96 Declaration of William Montjoy

**LEGISLATIVE HISTORY OF PATENT AND PLANT
VARIETY PROTECTION REMEDY CLARIFICATION ACT**

**PATENT AND PLANT VARIETY PROTECTION
REMEDY CLARIFICATION ACT**

P.L. 102-560 see page 106 Stat. 4230

DATES OF CONSIDERATION AND PASSAGE

*Senate: June 12, 1992
House: October 3, 1992*

Cong. Record Vol. 138 (1992)

**Senate Report (Judiciary Committee) No. 102-280,
May 12, 1992
[To accompany S. 758]**

*No House Report was submitted with this legislation. See
Legislative History accompanying Public Law 102-512 (page
3027) for Senate Report No. 102-280.*

*Legislative History Of Patent And Plant Variety
Protection Remedy Clarification Act*

TRADEMARK REMEDY CLARIFICATION ACT

P.L. 102-542, see page 106 Stat. 3567

DATES OF CONSIDERATION AND PASSAGE

*Senate: June 12, 1992
House: October 3, 1992*

Cong. Record Vol. 138 (1992)

**Senate Report (Judiciary Committee) No. 102-280,
May 12, 1992
[To accompany S. 759]**

No House Report was submitted with this legislation.

SENATE REPORT NO. 102-280

The Committee on the Judiciary, to which was referred the bills S. 758 and S. 759 amending titles 7 and 35, and title 15, United States Code respectively, having considered the same, reports favorably thereon without amendment and recommends that both bills do pass.

* * *

I. PURPOSE

The purpose of S. 758 is to clarify Congress' intent that States and State entities are not immune from infringement suits under the Patent Code and the Plant Variety Protection Act.

*Legislative History Of Patent And Plant Variety
Protection Remedy Clarification Act*

The purpose of S. 759 is to clarify Congress' intent that States and State entities are not immune from infringement suits under the Lanham Trademark Act [Trademark Act].

II. LEGISLATIVE HISTORY

During the 100th Congress, legislation was enacted which clarified that States were not immune under the eleventh amendment from liability for copyright infringement. Efforts were also made with respect to patents. Senator DeConcini with Senators Hatch and Simon introduced S. 2193, the predecessor to the patent provision of S. 758. S. 2193 was added as an amendment to S. 198, the Computer Software Rental Amendments Act, and was approved by the Senate. It was later deleted by the House.

In the House, Representatives Kastenmeier and Moorhead introduced H.R. 3886, a companion measure. The House Judiciary Subcommittee on Courts, Intellectual Property and the Administration of Justice held a hearing on H.R. 3886 in which witnesses, including the Acting Commissioner of the Patent and Trademark Office, testified in strong support of the measure. The House subcommittee invited State attorneys general and representatives of State universities to testify, but none accepted the invitation.

H.R. 3886 was favorably reported by the House Judiciary Committee as a title to H.R. 5598, the Patent Competitiveness and Technological Innovation Act of 1990. No further action was taken on H.R. 5598.

During the 102d Congress, Senator DeConcini, with Senator Hatch, introduced S. 758 and S. 759 on March 21, 1991,

*Legislative History Of Patent And Plant Variety
Protection Remedy Clarification Act*

at which time they were referred to the Judiciary Subcommittee on Patents, Copyrights and Trademarks. On July 17, 1991, S. 758 and S. 759 were reported favorably to the full committee by a vote of 5 to 0. On February 6, 1992, both bills were considered together before the Senate Judiciary Committee. After an amendment limiting attorney fees and damages, offered to S. 758 by Senators Thurmond and Grassley, was defeated, both bills were passed by a voice vote.

III. DISCUSSION

A. BACKGROUND

The Eleventh Amendment¹ was proposed on March 4, 1794, and within less than a year the necessary number of States² had ratified it. The amendment was a direct result of *Chisholm v. Georgia*³ in which the Supreme Court held that the State of Georgia could be sued by a citizen.⁴ This decision met with

1. "The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State."

2. At that time the United States consisted of 15 States, 12 of which were needed to ratify.

3. 2 U.S. (2 Dall.) 419 (1793).

4. Robert Farquhar, a South Carolinian, claimed that the State of Georgia had failed to compensate him for goods he had supplied to them during the Revolutionary War. After losing at the lower Federal court, Farquhar invoked original jurisdiction of the Supreme Court under article III, sec. 2, cl. 2, of the U.S. Constitution.

*Legislative History Of Patent And Plant Variety
Protection Remedy Clarification Act*

swift opposition across the land. As the Court's basis for deciding *Chisholm* was constitutionally grounded, the only remedy available to the States was an amendment to the Constitution.

The simplicity of the language of the eleventh amendment is countered by the often confusing legal interpretations that followed its enactment. During the 1800's, courts interpreted the amendment to bar only diversity suits.⁵ However, in 1890, the Supreme Court expanded the scope of the eleventh amendment, stating that the amendment also barred suits against a State by citizens of that State, even though the amendment does not expressly include such language.⁶

In the mid-1900's, the Supreme Court held that it was possible, through a theory of implied waiver, to abrogate the immunity of the States.⁷ In 1964, the Court expanded the theory of implied waiver and held that a State's willingness to be sued in Federal court could be utilized as a condition of entry into an activity regulated by the Federal Government.⁸ However, in 1973, the Court began to limit the theory of implied waiver.⁹ The practical feasibility of an implied waiver theory was

5. See, Senate Judiciary Committee Report on the Copyright Clarification Act, Rept. No. 101-305, at p. 6. June 5, 1990, 101st Cong., 2d sess.

6. *Hans v. Louisiana*, 134 U.S. 1 (1890).

7. *Petty v. Tennessee-Missouri Bridge Commission*, 359 U.S. 275 (1959).

8. *Parden v. Terminal Railway of Alabama*, 377 U.S. 184 (1964).

9. *Employees of the Department of Public Health and Welfare v. Department of Public Health and Welfare*, 411 U.S. 279 (1973).

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virtually eliminated a year later in *Edelman v. Jordan*,¹⁰ when the high Court held that State waiver may only be found by, " * * * the most express language or by such overwhelming implications from the text as [will] leave no room for any other reasonable construction'."¹¹

Later decisions held, however, that Congress could abrogate State sovereign immunity in the absence of waiver by the State. The groundwork for Congress' ability to do this was explicitly established in the Supreme Court decision in *Fitzpatrick v. Bitzer*.¹² Although the case dealt with Congress' ability to abrogate State sovereign immunity under the fourteenth amendment, the Court recognized that a grant of power to the Federal Government is necessarily a diminution of State sovereignty. The Court concluded that such power allowed Congress to provide for private suits against States or State officials, which would be constitutionally impermissible in other contexts.¹³

The *Fitzpatrick* holding was expanded in *Hutto v. Finney*.¹⁴ In this case attorney's fees were awarded against the State in the context of a suit against a prison system for cruel and unusual punishment. The Court held that recovery was possible

10. 415 U.S. 651 (1974).

11. *Id.* at 673 (quoting from *Murray v. Wilson Distilling Co.*, 231 U.S. 151, 171 (1909)).

12. 427 U.S. 445 (1975).

13. *Id.* at 456.

14. 437 U.S. 678 (1978).

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if the legislative history accompanying the statute under which the cause of action arose showed clear evidence of congressional intent to abrogate immunity.

Later cases held that States could be subject to suit in Federal court for alleged patent infringement, but courts differed as to what remedies were constitutionally permissible. For example, the district court in *Hercules, Inc. v. Minnesota State Highway Department*¹⁵ held that the State could be enjoined from using a patented process for chemical weed and pest control, but held the State remained immune from damages on eleventh amendment grounds. Conversely, the court in *Lemelson v. Ampex Corp.*¹⁶ held the State was subject to both an injunction and damages.

In 1979, the Court of Appeals for the Ninth Circuit defined the relationship between the Patent and Copyright Clause¹⁷ and the eleventh amendment in *Mills Music Inc. v. State of Arizona*.¹⁸ The court found that the sweeping language of the Patent and Copyright Clause indicative that States were intended to be part of the definition of persons who could be sued in Federal court. As an exclusive grant of power to the Federal Government, the Patent and Copyright Clause

15. 337 F. Supp. 795 (D. Minn. 1972).

16. 372 F. Supp. 708 (N.D. Ill. 1974).

17. U.S. Constitution, article I, § 8 provides that the Congress shall have the power, "[T]o promote the Progress or Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

18. 591 F. 2d 1278 (1979).

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necessarily contains limitations on State sovereignty.¹⁹ The court reached this conclusion by reviewing the language of the statute, the legislative history, and the context in which it applies. After determining that the term "anyone" in the Copyright Act²⁰ included States,²¹ the court held the imposition of damages was constitutionally permissible. However, in 1985 the face of sovereign immunity was dramatically altered by the holding of *Atascadero State Hospital v. Scanlon*.²²

B. ATASCADERO AND THE ELEVENTH AMENDMENT

In *Atascadero*, the Court held that congressional intent to abrogate State sovereign immunity must be explicitly and unambiguously stated in the statute itself.²³ Scanlon brought suit against Atascadero State Hospital for compensatory, injunctive, and declaratory relief, alleging that he was refused employment solely due to his handicap in violation of the Rehabilitation Act of 1973.²⁴

The Supreme Court granted certiorari to decide the question of whether a State may be subject to suit in Federal court in

19. *Id.* at 1285.

20. 17 U.S.C. 1 et seq.

21. *Supra*, note 24, at 1284.

22. 473 U.S. 234 (1985). [105 S.Ct. 3142, 87 L.Ed.2d 171]

23. *Id.* at 246.

24. 29 U.S.C. 795.

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light of the eleventh amendment.²⁵ Because the eleventh amendment represents a "constitutionally mandated balance of power" between the Federal Government and the States,²⁶ the Court determined that Congress must make its intent to abrogate State sovereign immunity "unmistakably clear in the language of the statute itself."²⁷ This language, the Court determined, provided the necessary clarity to ensure that Congress intended to override the eleventh amendment as an appropriate way to enforce the provisions of the fourteenth amendment.²⁸

Following the *Atascadero* decision, the Supreme Court applied that holding to preclude suit in Federal court against

25. Although the Court decided issues regarding State waiver of its immunity and State consent to suit in Federal court, that portion of the decision is not relevant here.

26. *Supra*, note 28, at 242, citing *Garcia v. San Antonio Metropolitan Transit Authority*, 469 U.S. 528, 572 (1985).

27. *Id.*

28. *Id.* at 241-246. The Rehabilitation Act provided remedies for violation of the act against "any recipient of Federal assistance." However, the Court found that a general authorization for a suit in Federal court was not the unequivocal statutory language sufficient to abrogate the eleventh amendment. Furthermore, the Court held that although article III, § 5 of the California Constitution provided that "suits may be brought against the State in such manner and in such courts as shall be directed by law", this did not constitute a "willingness to be sued in federal court." Rather the provision merely authorizes the California Legislature to waive sovereign immunity. Therefore, following this holding, participation in federally funded programs no longer constituted waiver, and the theory of implied waiver was completely abrogated, with the new standard requiring explicit waiver.

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States in various contexts. In *Dellmuth v. Muth*,²⁹ the Court found that "parties aggrieved by the Administrative process" was not sufficient language to abrogate sovereign immunity in relation to the Education of the Handicapped Act.³⁰ In *Welch v. Texas Department of Highways and Public Transportation*,³¹ the Court applied the same rule in denying a claim under the Jones Act,³² finding "any seaman" insufficient to meet the stringent rule. In *Will v. Michigan Department of State Police*,³³ the term "persons" was insufficient under 42 U.S.C. 1983.

Similarly, sovereign immunity was upheld under the Bankruptcy Code³⁴ in *Hoffman v. Connecticut Department of Income Maintenance*,³⁵ as it was under the Civil Rights Attorney's Fees Awards Act of 1976³⁶ in *Missouri v. Jenkins*.³⁷ By the time a case arose which challenged the Federal courts'

29. 491 U.S. 223 (1989). [109 S.Ct. 2397, 105 L.Ed.2d 181]

30. 20 U.S.C. 1400(b)(9).

31. 483 U.S. 468 (1987). [107 S.Ct. 2941, 97 L.Ed.2d 389]

32. 46 U.S.C. App. 688.

33. 491 U.S. 58 (1989).

34. 11 U.S.C. 106(c).

35. 492 U.S. 96 (1989). [109 S.Ct. 2818, 106 L.Ed.2d 76]

36. 42 U.S.C. 1988.

37. 491 U.S. 274 (1989). [109 S.Ct. 2463, 105 L.Ed.2d 229]

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jurisdiction to decide a patent infringement suit against a State, the *Atascadero* rule was well defined.³⁸

C. PATENT INFRINGEMENT SUITS AFTER ATASCADERO

In 1990, *Atascadero* was utilized to justify denial of a patent infringement claim based on sovereign immunity. In *Chew v. State of California*,³⁹ an Ohio resident sued the State of California, asserting that California's process for testing automobile exhaust emissions infringed a patent which she held. The State asserted eleventh amendment immunity and the suit was dismissed by the district court. On appeal to the Court of Appeals for the Federal Circuit, Chew argued that Congress had abrogated the State's immunity by provisions in the patent statute and thereby conferred exclusive jurisdiction on the Federal courts.

Although the *Chew* court recognized that Congress could abrogate the State's immunity,⁴⁰ it determined that the Patent Code did not meet the stringent test required by *Atascadero*. The court found that the patent statute used only the general term of "whoever" when stating what parties were subject to

38. Although *Atascadero* established the congressional ability to expressly abrogate sovereign immunity, the case of *Bonito Boats v. Thunder Craft Boats*, 109 S.Ct. 971 (1989), held that States did retain the ability to establish rules which would serve to promote intellectual creation. However, this must be done without interfering with the Federal patent scheme.

39. 893 F.2d 331 (Fed. Cir. 1990).

40. *Chew* at 334, citing *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989).

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suit for patent infringement.⁴¹ As the Supreme Court had stated in *Atascadero*, the *Chew* court held that, "When Congress chooses to subject states to federal jurisdiction, it must do so specifically."⁴² By permitting the sovereign immunity defense to deny *Chew* recovery, the plaintiff was literally left without any recourse.

In *Jacobs Wind Electric Co., Inc. v. Florida Department of Transportation*,⁴³ the Federal Circuit held that a suit brought against a State by a citizen of that State was barred under the eleventh amendment. Jacobs held a patent on a tidal flow system which improved water quality. The State of Florida installed the system without authorization from Jacobs, prompting a patent infringement complaint. Florida defended on grounds of sovereign immunity and the district court granted their motion to dismiss based upon that theory.

The Federal Circuit found the case to be indistinguishable from *Chew*.⁴⁴ Therefore, in light of *Atascadero*, plaintiffs in patent infringement cases against a State are foreclosed from damages, regardless of the State conduct.

41. 35 U.S.C. 271(a) (1982).

42. *Atascadero*, 473 U.S. at 246.

43. 919 F.2d 726 (Fed. Cir. 1990).

44. *Id.* at 728. Although Jacobs attempted to distinguish the *Chew* decision on the fact that Chew was not a resident of the State she sued, while Jacobs was, the court cited Supreme Court cases which held that the eleventh amendment immunity acted to bar suits by a resident or a non-resident. See also, *Welch v. Texas Department of Highways and Public Transportation*, 483 U.S. 468, 472, 479-88 (1987), and *Hans v. Louisiana*, 134 U.S. 1, 10 (1890).

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D. TRADEMARKS

The *Atascadero* standard has had a similar effect in the context of trademark infringement, where courts have held that States are not liable for their actions under the Trademark Act. Despite distinctions between patents and trademarks, in terms of the availability of State court remedies, the remedies available under State and common law for trademarks are limited in scope and inconsistent to such an extent that they serve as a meaningless substitute for Federal remedies.

In *Woelffer v. Happy States of America*,⁴⁵ the District Court of Illinois dismissed a counterclaim of injunctive relief under section 43(a) of the Trademark Act against the Illinois Department of Commerce and Community Affairs [DCCA] holding that by filing a declaratory complaint, the State did not waive its immunity. Relying on *Atascadero*, the court held that Congress had not expressed its intention to abrogate State immunity in clear and unmistakable terms. However, the court granted injunctive relief against Woelffer, the director of the DCCA, pursuant to the *Edelman v. Jordan*⁴⁶ case, which allows an injunction governing an official's future conduct, as long as it does not award retroactive monetary relief. The court refused to grant attorney's fees in conjunction with the counterclaim as the award would not be ancillary to the court's power as is required by *Edelman*.⁴⁷

45. 626 F. Supp. 499 (N.D. Ill. 1985).

46. *Supra*, note 16, at 677.

47. *Id.* at 668.

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E. PLANT VARIETY PROTECTION ACT

S. 758 includes a provision abrogating State sovereign immunity in suits for violations of plant variety protection. The Plant Variety Protection Act of 1970⁴⁸ was enacted to encourage the development of novel, sexually reproduced plants. It provides an economic incentive for companies to undertake the costs and risks inherent in producing new varieties and hybrids. Protection under this act is for a period of 18 years. The justification of providing plant variety protection is similar to that for granting patents.

No suits have occurred to date in which a State defended on eleventh amendment grounds, but it is clear that such a defense is probable in future cases based on the *Atascadero* standard. By acting now, Congress will avoid the need to revisit the issue of sovereign immunity in this area of intellectual property.

F. EXPLICIT ABROGATION OF SOVEREIGN IMMUNITY

To remedy the application of *Atascadero* to intellectual property laws, Senator DeConcini introduced S. 758 to explicitly establish that Congress did intend to subject States to patent infringement suits in Federal court. This legislation amends the Patent Code by adding a definition for the term "whoever" which includes States, as well as their instrumentalities, officers and employees. In addition, the bill clarifies that any remedy which is available against a private entity is also available against a State or State entity.

48. 7 U.S.C. 2321 et seq.

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S. 758 applies the language of the Copyright Remedy Clarification Act of 1991⁴⁹ to the Patent Code. Based on the cases decided since *Atascadero*, the bill was crafted to specifically meet all the requirements of the *Atascadero*, holding.

Similar legislation is required to rectify the inherent inequity plaguing the area of trademark protection. Accordingly, Senator DeConcini introduced S. 759, the Trademark Remedy Clarification Act. Trademark remedies available in State court are less than adequate substitutes for Federal provisions. S. 759 will allow the trademark plaintiff equal access to the Federal and State forums.

The existence of State trademark remedies should not be interpreted as evidence that sovereign immunity does not harm trademark owners. Preemptive in nature, the passage of this legislation will eliminate any ambiguity of whether Congress intended to abrogate State sovereign immunity under the Trademark Act.

G. THE CONSTITUTIONAL POWER TO ABROGATE

Because the Federal Government is one of enumerated powers, a law which abrogates State sovereign immunity in patent infringement and trademark actions must be justified under one of the Constitution's express grants of power to the Federal Government.⁵⁰ The provisions of S. 758 are justified

49. Public Law 101-553, 104 Stat. 2749 (1990) (codified as amended at 17 U.S.C. 101).

50. See Letter from Professor Glenn Harlan Reynolds to Chairman Robert W. Kastenmeier (dated Sept. 12, 1989).

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under the Patent Clause, the Commerce Clause and the enforcement provision of the fourteenth amendment. S. 759 is justified under the Commerce Clause and the fourteenth amendment.

Under the Patent Clause, Congress is granted exclusive power to promote the sciences by granting limited exclusive rights to a patented product.⁵¹ Congress' ability to abrogate State sovereign immunity logically falls within the Government's power to protect patent holders, having the effect of promoting future innovation.

The authority to abrogate State immunity in relation to patent and trademark infringement suits also falls within the Commerce Clause.⁵² The Patent Clause was included in the Constitution because of the failure of individual State patent systems under the Articles of Confederation to be effective. Thus, the need for a uniform system of patents is clear. Furthermore, the Supreme Court in *Pennsylvania v. Union Gas*⁵³ held that the States gave up their right to sovereign immunity in granting Congress the right to regulate interstate commerce, making the bill a justified application of the Federal Government's Commerce Clause powers.

In the context of trademarks, utilizing the Commerce Clause is the proper response to the limited and inconsistent

51. U.S. Const., art. I, sec. 8, cl. 8.

52. U.S. Const., art. I, sec. 8, cl. 3. The Congress shall have the power, "To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes."

53. 491 U.S. 1 (1989).

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substitutes available on the state level. Without this legislation, the potential chilling effect on the development of trademarks would become a reality. This legislation is illustrative of the intent of the framers to encourage commerce.

Finally, the bill is justified as an acceptable method of enforcing the provisions of the fourteenth amendment.⁵⁴ The Court in *Lemelson v. Ampex Corp.* recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement.⁵⁵ Additionally, because courts have continually recognized patent rights as property, the fourteenth amendment prohibits a State from depriving a person of property without due process of law.⁵⁶ The same holds true in the area of trademarks. Furthermore, the fourteenth amendment gives Congress the authority to enforce this right. S. 758 and S. 759 represent a valid extension of Congress' right to protect the property rights of patent and trademark holders.

The need to abrogate State sovereign immunity for intellectual property is clear for several reasons. The primary reason is that allowing such immunity cuts against article 1, sec. 8, clause 8 of the U.S. Constitution, which grants Congress the power to issue patents for limited periods to promote the progress of science. This provision provides the inventor with a period to recoup the expenses involved with the discovery of important inventions, as well as to receive a reward for his or her efforts.

54. U.S. Const., amend. 14, secs. 1, 5.

55. 372 F. Supp. 708 (N.D. Ill. 1974). See also *supra*, text accompanying footnote 20.

56. U.S. Const., amend. 14, sec. 1.

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Allowing a State to freely infringe upon the protection granted by the Patent Code and the Trademark Act effectively discourages future innovative. While this is certainly true in general, it is especially true with respect to any problem which is unique to States or State entities. A similar problem existed with copyright laws prior to passage of the Copyright Remedy Clarification Act of 1991.

In addition, the current state of the law leaves the protection afforded to patent and trademark holders dependant on the status of the infringing party. A public school such as UCLA can sue a private school such as USC for patent infringement, yet USC cannot sue UCLA for the same act.⁵⁷ The status of an infringing party should have no relation to the amount of investment made in a product. State universities should not have an unjustified advantage in the commercial arena over private universities for funding because of the potential for immunity from patent infringement actions.

The Federal Government has already consented to suit in Federal court for patent infringement,⁵⁸ leaving only States immune from possible liability for patent infringement. To promote innovation, the Patent Code and the Trademark Act must be applied uniformly. Just as there is no distinction between a State versus a private school, there is no distinction between the Federal Government and a State government, especially to the patent or trademark holder who must sacrifice the results of his/her investments at the hands of an immune governmental body. This legislation will rectify the situation

57. 135 Congressional Record 21 (Mar. 2, 1990, statement of Senator Dennis DeConcini).

58. 28 U.S.C. 1498.

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and provide uniform protection throughout the patent and trademark systems.

Furthermore, there is no indication that Congress intended to provide States with immunity from patent or trademark infringement suits. In fact, the text of the Patent Code and relevant authority demonstrates that Congress did not intend to exclude States from liability.⁵⁹

H. DAMAGES AND ATTORNEY'S FEES

During the committee consideration of S. 758 and S. 759, an amendment to S. 758 was offered by Senator Thurmond, on behalf of Senator Grassley and himself, that would have limited reimbursement for attorney's fees and costs and prohibited recovery of treble damage awards in suits against States and their instrumentalities. The Thurmond-Grassley amendment allowed for attorney's fees and expenses against the States only in cases brought by businesses with not more than 500 employees and a net worth of not more than \$5 million, tax exempt organizations, and individuals with a net worth of not more than \$1 million.

The language of the amendment was similar to an amendment offered by Senator Grassley to the Copyright Clarification Act of 1990.⁶⁰ During consideration of that bill, the Grassley amendment was passed out of committee by voice vote after minimal debate. However, it was removed after further review in conference.

59. See House Judiciary Committee Report on Patent Competitiveness and Technological Innovation, H. Rept. 101-960, pt. 1, Oct. 26, 1990, 101st Cong. 2d sess.

60. Public Law 101-553, 104 Stat. 2749 (1990).

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A restriction on attorney's fees does not limit costs, rather it limits the plaintiff's ability to obtain full and equitable compensation.⁶¹ Limiting attorney's fees creates a deterrent to enforcing valid rights of plaintiffs and makes the defendant States more likely to force litigation rather than seek reasonable settlements.⁶² Furthermore, the Thurmond-Grassley amendment would have established a de facto compulsory patent license, as States and their entities would be liable for only actual damages. These damages constitute nothing more than a royalty for the illegal use of the protected property of others.⁶³ Unlike a legitimate compulsory license, these royalties would only be paid under the threat of litigation, if then.

In July 1990, the Register of Copyrights, addressing the Grassley amendment to the Copyright Remedy Clarification Act, found the amendment to be unnecessary and unwise.⁶⁴ The Register noted that judges do not generally award large fees for the benefit of affluent plaintiffs who sue nonprofit defendants. He advocated preserving the discretionary right of a judge to award attorney's fees in the event of an outrageous or flagrant infringement. The Register concluded that, "[I]f the

61. Letter to Senator Charles Grassley from Michael J. Roth, corporate patent counsel, Pioneer Hi-Bred International, Inc., Des Moines, IA, dated July 15, 1991, p. 1.

62. *Id.*

63. Letter to Senator Dennis DeConcini from Donald W. Banner, president, Intellectual Property Owners, Inc., Washington, DC, dated Feb. 5, 1992, p. 2.

64. Letter from Ralph Oman, Register of Copyrights, to Robert W. Kastenmeier (July 30, 1990).

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States violate the copyright law, they are injuring the property rights of citizens and the status of the citizen should not affect the remedies available. Moreover, by depriving more affluent citizens of attorney's fees, you will discourage some of them from filing lawsuits to vindicate their property rights."⁶⁵

The Thurmond-Grassley amendment also contained language which would have eliminated recovery of treble damages against the States.⁶⁶ The standard for receiving treble damages in a patent suit is very difficult to attain. A plaintiff must prove that the infringement was willful under 35 U.S.C. 284. In testimony before the House Hearings on the Patent Remedy Clarification Act, Professor Robert Merges testified that:

[n]ormally, willful infringement is reserved for cases of egregious conduct — typically where a competitor, a commercial competitor, knows about the patent and flagrantly violated it * * * It is not always clear that with all the products that

⁶⁵. Id.

⁶⁶. See Senate Judiciary Committee Executive Meeting, Feb. 6, 1992. In response to Senator Thurmond's contention, Senator DeConcini Responded:

If the States violate citizen's rights, they ought to be subject to the same penalty as anybody else, and that is all this [bill] does; plus, it is totally discretionary. You have to prove a willful and malicious act in order to get treble damages, and then it is discretionary if the judge wants to award them. On attorney's fees, you have to prove an exceptional case and then the judge can approve attorney's fees. It is only the right thing to do for anybody.

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[government] buy[s], that anyone is really aware of the patent status of any particular invention or device or product.

The fact that treble damages are awarded in only the most flagrant cases is justification for the retention of the remedy. The standard currently utilized protects defendants, including States, from undue hardship, extending liability only when the court finds the conduct to be so offensive that treble recovery is justified. There is no reason to extend liability to the States, but to then limit it in instances where the States' improprieties are particularly egregious.

During the 101st Congress, the House Judiciary Committee also considered limitations on State liability for patent infringement. However, proposals to retain State immunity with respect to attorney's fees and treble damages were rejected by that committee. Opposition to the Thurmond-Grassley amendment was voiced by several groups including the American Chemical Society, the American Intellectual Property Law Association, and Intellectual Property Owners, Inc.⁶⁷

I. CONCLUSION

The committee concludes that both S. 758 and S. 759 are proper exercises of Congress' constitutional authority to abrogate State sovereign immunity. Congress never intended for States to be immune from patent and/or trademark infringement suits in Federal court. The Supreme Court held

⁶⁷. Letter to Senator Joseph Biden, from Ernest L. Eliel, president, American Chemical Society, Washington, DC, dated Jan. 29, 1992.

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that Congress may abrogate State sovereign immunity only by the clear terms in the text of the act. Based on previous court decisions, S. 758 and S. 759 will constitutionally abrogate State sovereign immunity, providing a uniform system of protection. If Congress is to fulfill its constitutional obligation to protect, and promote the sciences, S. 758 and S. 759 are measures that merit enactment.

IV. VOTE OF THE COMMITTEE

On February 6, 1992, with a quorum present, the Senate Judiciary Committee considered S. 758 and S. 759. The Grassley/Thurmond amendment failed by a vote of 4 to 9 with the vote as indicated below:

YEAS (4)	NAYS (9)	NOT VOTING
Thurmond	Biden	Specter
Simpson	Kennedy	
Grassley (by proxy)	Metzenbaum	
Brown	DeConcini	
	Hatch	
	Heflin	
	Leahy (by proxy)	
	Simon	
	Kohl (by proxy)	

Following the vote on the amendment, the committee approved both bills by voice vote.

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VI. SECTION-BY-SECTION ANALYSIS OF S. 758

SECTION 1

This section establishes the short title of this legislation as the "Patent and Plant Variety Protection Remedy Clarification Act."

SECTION 2

This section has three main provisions intended to meet the *Atascadero* rule.

First, the section modifies the infringement section of the Patent Code (35 U.S.C. 271) to include a definition of the term "whoever." This definition makes it expressly clear that States and State entities are subject to liability for patent infringement in the same way as any other nongovernmental entity.

Second, the section adds a new section to chapter 29 of title 35 that expressly abrogates State sovereign immunity under the eleventh amendment. It ensures that States will be subject to suit in Federal court by eliminating State immunity under any doctrine of sovereign immunity.

The last section of S. 758 addresses the remedies available to patent holders who successfully prosecute a patent infringement claim. While courts differed in the past on what remedies were available, this section makes it clear that remedies in both law and equity are available against State and State entities to the same extent that such remedies are available against private entities. The section expressly provides for the recovery of damages, interest, costs, as well as treble damages

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under section 284 of title 35, attorney's fees under section 285, and a remedy for design infringement under section 289.

SECTION 3

This section provides clarification to the Plant Variety Protection Act (7 U.S.C. 2541) which is analogous to the clarification previously described for the Patent Code (sec. 2 of S. 758).

SECTION 4

The amendments under this act are effective only as to violations occurring on or after the effective date of the law. The effective date is the date of enactment.

* * * * *

VIII. SECTION-BY-SECTION ANALYSIS OF S. 759

SECTION 1

This section established the short title of this legislation as the "Trademark Remedy Clarification Act."

SECTION 2

This section references the amendments contained within the "Trademark Remedy Clarification Act" as amending 15 U.S.C. 1051 et seq., commonly known as the "Trademark Act of 1946."

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SECTION 3

This section amends section 32(1) of the Trademark Act (15 U.S.C. 1114(1)) to include in the term "any person", any State, or instrumentality of a State, and any officer or employee of a State or instrumentality.

Section 3 further amends section 39 (15 U.S.C. 1121) by expressly abrogating the sovereign immunity of the States under the eleventh amendment. By eliminating State immunity under any doctrine of sovereign immunity, this section ensures that States will be subject to suit in Federal court.

Under this section, it is expressly delineated that the remedies available for private actions are now available in actions against the State or instrumentalities thereof.

The section further incorporates the aforementioned definition expanding "any person" to include a State and its instrumentalities amending section 43(a) of the Trademark Act of 1946 (15 U.S.C. 1125(a)).

The final portion of section 3 amends the fourth paragraph of section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) to include within the definition of "person" any State, or instrumentality of a State, and any officer or employee thereof.

SECTION 4

This section establishes the effective date of the bill and clarifies that it only applies to violations occurring on or after the effective date.

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IX. COST ESTIMATE

In accordance with paragraph 11(a), rule XXVI, of the Standing Rules of the Senate, the committee offers the report of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, February 13, 1992.

HON. JOSEPH R. BIDEN, JR.,
*Chairman, Committee on the Judiciary,
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN. The Congressional Budget Office has reviewed S. 758, the Patent and Plant Variety Protection Remedy Clarification Act, as ordered reported by the Senate Committee on the Judiciary on February 6, 1992. CBO estimates that enacting this bill would result in no significant cost to the federal government. S. 758 would not affect direct spending or receipts. Therefore, pay-as-you-go procedures would not apply to the bill.

In 1985, the U.S. Supreme Court, in *Atascadero State Hospital v. Scanlon*, held that the Congress may abrogate state sovereign immunity only by an explicit statement in law. A number of federal circuit courts have applied this reasoning to patent law, deciding that sovereign immunity bars plaintiffs from recovering monetary damages in patent and plant variety infringement suits against state governments. S. 758 would specify that courts may hold states and their instrumentalities liable for monetary damages for infringing upon registered patents and plant varieties.

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Enacting S. 758 would result in some increased costs to the federal judiciary because there would be additional lawsuits in federal courts. We estimate that such costs are not likely to be significant. Enactment of this bill would result in increased costs to state and local governments to the extent that courts award monetary damages against states and local governments for patent and plant variety infringements. We cannot estimate these costs, however, because they would depend on the results of legal actions the outcome of which we cannot predict. It is unlikely that the costs incurred by states and localities would be substantial.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are John Webb and Mitchell Rosenfeld, who can be reached at 226-2860.

Sincerely,

ROBERT D. REISCHAUER,
Director.

X. REGULATORY IMPACT STATEMENT

Pursuant to paragraph 11(b), rule XXVI of the Standing Rules of the Senate, the committee, after due consideration, concludes that these acts will not have direct regulatory impact.

* * * * *

FEB 19 1999

CLERK

IN THE
Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR PETITIONER

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QUESTION PRESENTED

Did Congress have power under § 5 of the Fourteenth Amendment to abrogate the states' Eleventh Amendment immunity and make them amenable to suit in federal court for claims of patent infringement when enacting Section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), 35 U.S.C. §§ 271(h), 296(a)?

STATEMENT OF INTERESTED PARTIES

Petitioner Florida Prepaid Postsecondary Education Expense Board was the defendant before the district court and the appellant before the Court of Appeals for the Federal Circuit (the "Federal Circuit"). Recently, the Florida legislature changed petitioner's name to the Florida Prepaid College Board. Petitioner is referred to by its earlier name in this brief for the sake of clarity and convenience, or simply as "Florida Prepaid." Florida Prepaid is a body corporate of the state of Florida and does not have any parent or subsidiary corporations. See § 240.551, Florida Statutes.

Respondent College Savings Bank ("CSB") was the plaintiff before the district court and an appellee before the Federal Circuit. Respondent United States of America intervened under 28 U.S.C. § 2403(a) in the action before the district court and was an appellee before the Federal Circuit.

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OPINIONS BELOW

The Federal Circuit's opinion is reported at *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343 (Fed. Cir. 1998) (Pet. App. A). The opinion of the United States District Court for the District of New Jersey is reported at *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 948 F. Supp. 400 (D.N.J. 1996) (Pet. App. B).

STATEMENT OF JURISDICTION

The jurisdiction of the district court was invoked under 28 U.S.C. § 1338(a). The Federal Circuit's jurisdiction was invoked pursuant to 28 U.S.C. § 1295(a)(1) and the collateral order doctrine. See *Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 147 (1993). The Federal Circuit affirmed the district court's denial of Florida Prepaid's motion to dismiss CSB's patent infringement case for lack of subject matter jurisdiction on June 30, 1998. Pet. App. A. Florida Prepaid timely filed its petition for *certiorari* on September 28, 1998. The petition was granted on January 8, 1999. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, Section 8, Clause 8 of the United States Constitution provides that Congress shall have Power . . .

[t]o promote the Progress of Science and useful Arts,
by securing for limited Times to Authors and Inventors
the exclusive Right to their respective Writings and
Discoveries[.]

The Eleventh Amendment to the Constitution provides:

The Judicial power of the United States shall not be
construed to extend to any suit in law or equity,

commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

The Fourteenth Amendment to the Constitution provides, in pertinent part:

[Section 1]

No State shall . . . deprive any person of life, liberty, or property, without due process of law[.]

[Section 5]

The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.

Section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992) ("Patent Remedy Act"), provides, in pertinent part:

As used in this section, the term 'whoever' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity.

[35 U.S.C. § 271(h)]

Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal Court by any person . . . for infringement of a patent under Section 271, or for any other violation under this title.

[35 U.S.C. § 296(a)]

STATEMENT OF THE CASE

A. The Parties

Florida Prepaid is an agency of the state of Florida created to administer a prepaid college tuition and dormitory-expense program. See § 240.551, Florida Statutes. Participants in the program, generally Florida residents or the children of Florida residents, see § 240.551(2)(3)(1)-(3), Florida Statutes, pay a contract price today that entitles program beneficiaries to a college education at a future date. The state's enabling legislation describes Florida's provision of educational opportunity at the postsecondary level as "a critical state interest." § 240.551(1), Florida Statutes. Florida Prepaid began operation in 1987 and has, since inception, sold 528,540 prepaid college and dormitory contracts.

CSB is a commercial financial institution that sells certificates of deposit designed to assist its customers with investing to cover the future costs of a college education. CSB owns United States Patent No. 4,722,055 (the "'055" patent), entitled "Methods and Apparatus for Funding Future Liability of Uncertain Cost" relating to a calculation methodology used with its certificate of deposit product. CSB's patent issued on January 26, 1988.

B. The Patent Remedy Act

In 1990, the Federal Circuit decided two cases, *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990), and *Jacobs Wind Elec. Co. v. Florida Dept. of Trans.*, 919 F.2d 726 (Fed. Cir. 1990), which upheld the states' Eleventh Amendment immunity from patent suits in federal court on the grounds that Congress had not adequately expressed its intent to abrogate such immunity. See *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 240 (1985). In response, Congress passed the Patent Remedy Act, which added 35 U.S.C. § 271(h) and 35 U.S.C. § 296 to the patent laws. See *supra*.

These new patent code provisions abrogated the states' Eleventh Amendment immunity from patent suits brought in federal court and exposed states to the same legal and equitable remedies, including treble damages, attorneys' fees, costs, and injunctive relief, that were already available against entities that are not states. According to the legislative history, Congress saw five justifications for the amendments: (1) "immunity cuts against Article I, § 8 of the U.S. Constitution, which grants Congress the power to issue patents for limited periods to promote the progress of science"; (2) the amendment prevents states from "freely" infringing, discouraging future innovation; (3) enabling patentees to sue states in federal court prevents states from enjoying advantages not available to private parties; (4) the federal government already consents to patent infringement suits; and (5) the original patent code (enacted in 1790) contains no expression of Congressional intent to exclude states from the statutes' reach. See J.A. 20-22a. The Senate Report lists the Patent Clause, the Commerce Clause, and § 5 of the Fourteenth Amendment as authority for this new legislation. J.A. 19a.

C. CSB sues Florida Prepaid in federal district court in New Jersey

On November 7, 1994, CSB sued Florida Prepaid for alleged infringement of the '055 patent in the United States District Court for the District of New Jersey (Civ. No. 94-5610 (GEB)). On August 25, 1995, CSB brought a second action against Florida Prepaid in the same court, Civ. No. 95-4516 (GEB), in which CSB alleged "false advertising" by Florida Prepaid in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and the common law prohibition against unfair competition. The two cases were not consolidated.

At the time the Patent Remedy Act was enacted and as of the date that CSB filed its lawsuits, this Court's decision in *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989) ("*Union Gas*"),

approved Congress's use of its powers under Article I of the Constitution to abrogate the states' Eleventh Amendment immunity. After the pleadings in this case were closed, this Court decided *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996) ("*Seminole Tribe*"), which overruled *Union Gas* and made clear that Congress may abrogate the states' Eleventh Amendment immunity only when it acts under § 5 of the Fourteenth Amendment. 517 U.S. at 59 (citing *Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976) ("*Fitzpatrick*"). Florida Prepaid then promptly moved to dismiss CSB's lawsuits for lack of subject matter jurisdiction, contending that both matters were barred by the Eleventh Amendment.¹

In a single decision applicable to both cases, the district court granted Florida Prepaid's motion to dismiss the Lanham Act case but denied its motion to dismiss the patent infringement action. Pet. App. B. The district court found that Florida Prepaid is an "arm of the state" of Florida that is thereby entitled to assert Florida's Eleventh Amendment immunity as a bar to jurisdiction in federal court. See Pet. App. B at 41a-57a. That finding was not challenged on appeal. See Pet. App. A at 2a n.1. The district court next rejected CSB's arguments that Florida Prepaid waived its immunity, either by its conduct in the case or under the constructive consent doctrine set forth in *Parden v. Terminal Ry. of Ala. State Docks Dep't.*, 377 U.S. 184 (1964) ("*Parden*"). Pet. App. B, 57a-72a.

Agreeing with Florida Prepaid in the patent case that Article I does not authorize Congress to abrogate states' Eleventh Amendment immunity, Pet. App. B at 79a, the district court then

1. Pursuant to 28 U.S.C. § 2403(a), respondent United States of America intervened before the district court to defend the constitutionality of both the Patent Remedy Act and the Trademark Remedy Clarification Act of 1992, Pub. L. No. 102-542, 106 Stat. 3567 (1992), the latter of which had purported to make the states amenable to suit in federal court under the Lanham Act. Pet. App. B, 39a.

addressed Congress's power to abrogate state immunity under § 5 of the Fourteenth Amendment. In doing so, the court limited its analysis to determining "whether the interests sought to be protected by the Patent Act are 'property' for purposes of the Fourteenth Amendment." Pet. App. B, 78-79a. Concluding that a patent is such "property," and that "Congress has the power to enforce all of the provisions of the Fourteenth Amendment, including the Due Process Clause," Pet. App. B, 85-86a, the district court held that the Patent Remedy Act was "appropriate" legislation to enforce the Fourteenth Amendment and denied Florida Prepaid's motion to dismiss CSB's patent case. *Id.* at 86a.²

The district court reached the opposite conclusion in the Lanham Act case, holding that the interests protected by the "false advertising prong" of the Lanham Act clearly were not "property" for purposes of the Fourteenth Amendment. Pet. App. B, 86a-90a.

[W]e are unaware of any authority suggesting that Congress may, by simple fiat, abruptly declare that a simple statutory cause of action, which traditionally has not been understood to involve any kind of property, now encompasses a "property right" to which the Fourteenth Amendment applies. Indeed, if Congress has such power, it could easily "reverse" the outcome in *Seminole Tribe*.

Pet. App. B, 89a-90a. Lacking any jurisdictional basis on which to hear CSB's common law unfair competition claim against a state entity, the district court dismissed CSB's second complaint in its entirety. *Id.* at 91a.

Both CSB and the United States appealed the final judgment dismissing the Lanham Act suit to the United States Court of

2. The district court's decision was announced December 13, 1996, Pet. App. B, 91a, before the court could benefit from this Court's subsequent holdings in *City of Boerne v. Flores*, 521 U.S. 507, 117 S. Ct. 2157 (1997) ("*City of Boerne*").

Appeals for the Third Circuit, which affirmed that the case did not involve a "property" interest protected by the Fourteenth Amendment. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 131 F.3d 353 (3d Cir. 1997). The Third Circuit held that Congress lacked the power under § 5 to abrogate states' Eleventh Amendment immunity from false advertising claims brought under the Lanham Act in federal court, and that *Parden* was inapplicable because Florida Prepaid was serving an important governmental interest in making education affordable to its citizens. *Id.* at 364.³

In accordance with this Court's decision in *Puerto Rico Aqueduct*, 506 U.S. at 147, and pursuant to 28 U.S.C. § 1295, Florida Prepaid appealed the district court's decision not to dismiss CSB's patent infringement case to the United States Court of Appeals for the Federal Circuit. The Federal Circuit affirmed. Pet. App. A. While this Court has now granted petitions for *certiorari* in both cases, the instant case presents only the question whether Congress has the power under § 5 to abrogate the states' Eleventh Amendment immunity from suits in federal court for claims of patent infringement.

D. The Federal Circuit's constitutional analysis

Agreeing with the parties that Congress had manifested a clear intent to abrogate the states' Eleventh Amendment immunity in the Patent Remedy Act, the Federal Circuit focused on deciding whether Congress had done so pursuant to a constitutional grant of power. Pet. App. A at 7a. While the Federal Circuit accepted Florida Prepaid's contention that Article I was no longer available as a source of abrogation power following *Seminole Tribe*, Pet. App. A, 8a, that court nevertheless determined that the Patent Remedy Act would withstand constitutional scrutiny if it was a

3. By affirming the district court on that basis, the Third Circuit did not review the district court's conclusion that *Parden* had been implicitly overruled by *Seminole Tribe*. 131 F.3d at 365.

"rational means" to effectuate the substantive provisions of the Fourteenth Amendment. Pet. App. A at 9a (citing, *South Carolina v. Katzenbach*, 383 U.S. 301, 324 (1966)).

Identifying the Act's objective as redressing patent infringement by the states, the Federal Circuit found that the Act met the *South Carolina v. Katzenbach* test:

[p]rotecting a privately-held patent from infringement by a state is certainly a legitimate congressional objective under the Fourteenth Amendment, which . . . empowers Congress to prevent state-sponsored deprivation of private property.

Pet. App. A at 12a-13a. For this analysis, the court viewed patent infringement as equivalent to a taking or deprivation, Pet. App. A, 13a, without regard to whether remedies would be provided for such assumed deprivation by the states. The Federal Circuit in fact rejected Florida Prepaid's position that abrogation of states' Eleventh Amendment immunity could not affect states that meet fundamental due process standards. Pet. App. A at 14-15a. The court reasoned that "the fact that Florida may today have some process available to a patentee asserting infringement does not preclude Congress from exercising its powers under the Fourteenth Amendment through the Patent Remedy Act." *Id.*

Florida Prepaid further argued that permitting Congress to create a property interest under its Article I powers and then use its § 5 powers to enforce that interest against states in federal court would accomplish indirectly what *Seminole Tribe* held Congress could not do directly through Article I. Pet. App. A at 15-16a. This argument also was dismissed by the Federal Circuit, despite the acceptance of similar arguments by other circuit courts. *Id.*

These cases . . . ignore the essential fact that, because the Fourteenth Amendment was enacted subsequent to the Eleventh Amendment, unlike Article I, it

expressly qualified the principle of sovereign immunity . . . Our sister circuits wrongly equate the result afforded by congressional power under the Fourteenth Amendment and Article I with the constitutional structure under which Congress governs and the federal courts exercise jurisdiction. When the states adopted the Fourteenth Amendment and consented to cede a portion of their authority to the federal government, it was within their contemplation that they limited their Eleventh Amendment immunity.

Pet. App. A at 17a (citations omitted). The Federal Circuit adhered to its conviction that the existence or non-existence of Article I powers was not dispositive because patents are a well-established form of property that unquestionably falls within the reach of Congress's § 5 enforcement power:

To claim that patents do not warrant protection is tantamount to asserting that Congress may not, under any circumstance, abrogate the states' Eleventh Amendment immunity pursuant to the Due Process Clause when seeking to protect persons from the risk of unlawful deprivation of their property. Such would, in our view, amount to a direct contradiction of the text of the Fourteenth Amendment and its application by the Supreme Court.

Pet. App. A at 18a.

Having approved Congress' stated objective of protecting privately-held patent property from deprivation by states, the Federal Circuit then purported to apply this Court's requirement established in *City of Boerne* that "there must be a proportionality between the injury to be prevented and the means adopted or remedied to that end." Pet. App. A at 20a. Examining the nature of the injury to be prevented, the court listed the eight cases of

alleged patent infringement by states disclosed in the legislative record and agreed that "an increase in the number of patent cases against the states likely will ensue." *Id.* at 21a-22a. While the court conceded that the extent of such infringement had not yet risen to emergency levels, and was not the caliber and magnitude of the harm that prompted enacting the Voting Rights Act, that court still viewed those "significant instances" of alleged state infringement as sufficient to justify Congress' exercise of its § 5 power to make states amenable to suit in federal court. *Id.*

Turning to the means adopted to prevent that perceived injury and the resulting impact on the states, the Federal Circuit decided that the burden of subjecting states to the full range of Title 35 relief in federal courts was "modest" and "slight" because, in its view, the Patent Remedy Act would rarely prevent a state from performing its core governmental functions. Pet. App. A at 24a-25a. The Federal Circuit declared that there is "no sound reason to hold that Congress cannot subject a state to the same civil consequences that face a private party infringer." *Id.* at 25a. In the end, the Federal Circuit upheld Congress's use of its § 5 abrogation powers to enact the Patent Remedy Act because the burden imposed on states was not disproportionate or incongruous with the perceived harm to patent holders who, absent such abrogation, would be unable to enforce fully the rights conveyed by their patent. Pet. App. A at 25a.

SUMMARY OF ARGUMENT

The Patent Remedy Act is an unconstitutional attempt by Congress to abrogate states' Eleventh Amendment immunity from patent infringement suits in federal court. The Act cannot be justified on the basis that Congress abrogated the immunity pursuant to its Article I powers, because *Union Gas*, which had approved such authority, was overruled by this Court in *Seminole Tribe*. The Act also cannot be saved by resort to the sole remaining source of abrogating power, § 5 of the Fourteenth Amendment,

without ignoring the teachings of this Court in *City of Boerne*. In sum, the Patent Remedy Act is an impermissible attempt to do what this Court prohibited in *Seminole Tribe* — enforce an Article I property interest against the states in federal court — as well as a departure from settled Fourteenth Amendment doctrine.

Accepting the rationale that the Fourteenth Amendment may be used to enforce Article I property interests such as patents because the later-enacted Fourteenth Amendment limits the Eleventh Amendment's scope would mean that the Eleventh Amendment will always give way. But that is not the law. In fact, although the Fourteenth Amendment can be used to restrict the scope of the states' immunity from suit in federal court to enforce the substantive guarantees of that amendment, the Fourteenth Amendment did not *abolish* such immunity. In the Patent Remedy Act, however, Congress has effected this result by creating a right under Article I and then protecting that right through the Enforcement Clause of the Fourteenth Amendment. *Seminole Tribe* cannot be limited to disallowing the enforcement of Article I interests by Congress only when acting under its Article I powers. *Seminole Tribe* means that Congress may not set aside states' sovereign immunity to protect federally created rights.

Saying that patents are property and are protected from deprivation by the states under the Fourteenth Amendment irrespective of Congress's Article I powers does not change the result. Patent infringement by a state is still only a tort, not a due process violation. Such tort simply does not rise to the level of a constitutional wrong *unless* the states deprive patent holders of property without providing "due process of law."

While this Court has not yet been presented with the opportunity to address when and how the Due Process Clause may be enforced under § 5, it is now settled, following *City of Boerne*, that "appropriate" legislation within the meaning of the Enforcement Clause, must meet three conditions. First, the object

of the legislation must be to prevent or remedy unconstitutional state conduct. Next, once a constitutional violation has been identified, the legislation adopted to remedy or prevent that violation must be truly remedial. To assure that legislation attains this remedial character, congruence between the means (the legislation) and the end (preventing or curing the targeted constitutional violation) must exist. Proper application of these conditions ensures against Congress's creation of legislation that is substantive rather than remedial, which would improperly intrude into the exclusive province of the courts.

The Patent Remedy Act has met none of these conditions. It targets no unconstitutional state conduct and, instead, merely aims at remedying or deterring patent infringement by the states. While the Fourteenth Amendment prohibits the deprivation of property without due process of law, neither Congress nor the lower courts described or identified any actual or threatened state conduct that had that effect. Instead, they stopped their due process analysis short upon the identification of a property interest and the assumption that a "deprivation" existed, totally ignoring whether such property had been deprived "without due process of the law."

While Congress may incidentally proscribe state conduct that is not itself unconstitutional when enacting legislation that is aimed at preventing a constitutional wrong, that is not what happened here. The wrong sought to be prevented in the first instance by the Patent Remedy Act is state patent infringement, which is not itself unconstitutional. Instead, Congress has abrogated state immunity in order to remedy or deter state a statutory violation rather than a constitutional wrong. The Patent Remedy Act, as a result, works a fundamental change in the substance of the Fourteenth Amendment by ignoring the requirement that there be a deprivation of property "without due process of law."

Even if deterring or remedying an offense more severe than a potential patent infringement had been Congress's goal when it

crafted the Patent Remedy Act, the Act still could not withstand scrutiny here because the means employed to remedy or prevent such conduct are wholly out of proportion to the alleged harm. The Act's impact on the states is immense given their exposure to treble damages and attorney's fees for a myriad of unforeseeable state conduct that allegedly infringes patent rights. The indignity of suit by private litigants in federal courts in other states compounds the unacceptable result. Just as the legislation at stake in *City of Boerne* went too far, so does the Patent Remedy Act. Indeed, it intrudes into every facet of state government rendering even the most ministerial governmental acts potential triggers for federal suits against the states for extraordinary damages.

The expansive relief provided under Title 35 is grossly incongruent to the end of redressing governmental patent infringement. This incongruity is perhaps best shown by Congress's enactment of 28 U.S.C. § 1498. In that statute, Congress allowed certain remedies to be obtained against the United States for patent infringement by private litigants, but such relief did not include injunctions, attorney's fees, treble damages, or lost profits. Congress has thus already demonstrated that less obtrusive, more congruent means to eradicate patent infringement by a sovereign can be designed. Yet, with the Patent Remedy Act, Congress advanced no cogent reason for its abrupt change in policy. The Act's vast escalation in expense, exposure, and burden on the states cannot be understood as responsive to, or intended to prevent unconstitutional behavior and thus must be deemed a substantive expansion of constitutional prohibitions rather than a remedy for due process violations.

In the end, the Patent Remedy Act cannot be upheld under either *Seminole Tribe* or *City of Boerne*. Congress lacks the power under both Article I and the Fourteenth Amendment to abrogate states' Eleventh Amendment immunity and make them subject to suits for patent infringement in federal court. This is true even if

reliance on state court process and remedies ultimately results in a lack of national uniformity in patent law.

The Due Process Clause does not require that any specific process or remedies be provided. It simply requires that minimal constitutional levels of process be achieved. By upholding the Patent Remedy Act against states, even where Due Process violations are neither threatened nor proven, the Federal Circuit allowed Congress to elevate conduct giving rise to a statutory cause of action to a constitutional wrong falling within the Fourteenth Amendment's scope.⁴ After *City of Boerne*, it is manifest that Congress cannot legislate the substance of the Constitution as it attempted when enacting the Patent Remedy Act.

ARGUMENT

I.

THE PATENT REMEDY ACT IS UNCONSTITUTIONAL BECAUSE CONGRESS LACKS POWER TO ABROGATE STATES' ELEVENTH AMENDMENT IMMUNITY FROM SUITS IN FEDERAL COURT FOR CLAIMS OF PATENT INFRINGEMENT.

Neither Florida nor Florida Prepaid has consented to being sued in federal court for patent infringement relating to the tuition-funding program created by Florida to facilitate its citizens' higher education. Absent such consent, Florida Prepaid cannot be sued in federal courts *unless* Congress's attempt to abrogate the states' Eleventh Amendment immunity through the Patent Remedy Act is authorized under some recognized constitutional precept. Because the Constitution provides no authority for Congress to enact the Patent Remedy Act, this Court should restore Florida Prepaid's immunity from suit for patent infringement claims in

4. The Federal Circuit's analysis in this case was confined to the issue of abrogation and did not address the district court's rejection of CSB's *Parden* arguments.

federal court by reversing the Federal Circuit's decision and remanding with instructions that CSB's patent infringement claim be dismissed.

A. The Patent Remedy Act Cannot Be Upheld Following *Seminole Tribe* Because Congress Cannot Use Either Article I Or The Fourteenth Amendment To Protect An Article I Interest Such As Patents.

The Patent Remedy Act treats defendant states the same as private parties by authorizing non-governmental patent owners to sue states in federal court for patent infringement and to recover injunctive relief and monetary damages, including treble damages and attorney's fees. For this legislation to be constitutionally sound given states' Eleventh Amendment immunity, Congress must have unequivocally expressed an intent to abrogate sovereign immunity when enacting the statute. *Seminole Tribe*, 517 U.S. at 55; *Atascadero State Hospital*, 473 U.S. at 240. Congress also must have acted "pursuant to a valid exercise of power." *Seminole Tribe*, 517 U.S. at 58 (quoting, *Green v. Mansour*, 474 U.S. 64, 68 (1985)).

The parties agree that the first prong of the test is met here. As to the second prong, Florida Prepaid maintains that Congress exceeded its legislative authority when enacting the Patent Remedy Act. Neither Article I nor the Fourteenth Amendment empowers Congress to authorize patent infringement claims to be brought by private parties against the states in federal court.

1. Congress, after *Seminole Tribe*, cannot abrogate states' sovereign immunity using its Article I powers.

Although Congress pointed to the "Patent Clause, the Commerce Clause, and the enforcement provision of the Fourteenth Amendment" as the source of its power when enacting the Patent Remedy Act, J.A. at 19a, the first two grounds, both provisions found in Article I of the Constitution, are no longer valid sources of power following this Court's decision in *Seminole Tribe*.

In overruling *Union Gas*, this Court left no doubt that Congress's Article I power to legislate with respect to patents is an insufficient basis on which to abrogate states' Eleventh Amendment immunity:

the background principle of state sovereign immunity embodied in the Eleventh Amendment is not so ephemeral as to dissipate when the subject of the suit is an area . . . under exclusive control of the Federal government. *Even when the constitution vests in Congress the complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against the states.*

Seminole Tribe, 517 U.S. at 72. (emphasis added). Thus, *Seminole Tribe* teaches that Congress cannot abrogate states' Eleventh Amendment immunity simply because it desires to provide a federal forum for the recovery of damages for violations of a federal right created under Article I.⁵ See, e.g., *In re Sacred Heart Hosp. of Norristown*, 133 F.3d 237, 243-45 (3d Cir. 1998) (Congress cannot abrogate immunity using its powers found in the Bankruptcy Clause of Article I) (citing, *United States v. Kras*, 409 U.S. 434, 446-47 (1973)); *College Savings Bank*, 131 F.3d at 358 (holding that since *Seminole Tribe*, § 5 of the Fourteenth Amendment is the sole basis for Congress to abrogate state immunity).

5. Responding to the dissents in *Seminole Tribe*, the majority did not take issue with this conclusion, observing that this Court never has awarded relief against a state under laws enacted under Article I powers such as bankruptcy, copyright, and anti-trust and specifically noted the lack of "established tradition in the lower federal courts of allowing enforcement of those federal statutes against the states." 517 U.S. at 96 n.16.

2. Congress cannot use its Fourteenth Amendment abrogation powers to protect Article I interests.

Under the Fourteenth Amendment, states may not "deprive any person of life, liberty, or property, without due process of law." U.S. Const. amend. XIV, § 1. Congress can, via "appropriate legislation," enforce the provisions of the Amendment. U.S. Const. amend XIV, § 5. After *Seminole Tribe*, the Enforcement Clause is Congress's only remaining source of abrogation power that has been approved by this Court.

CSB has argued thus far that *Seminole Tribe* does not control this case despite patents' genesis in Article I because patents are "property" the "deprivation" of which can be remedied by Congress through its Fourteenth Amendment enforcement power, and because Congress expressly cited that Amendment when enacting the Patent Remedy Act. See J.A. at 19a. The Act cannot, however, be deemed "appropriate legislation" under § 5 simply because Congress made such a declaration.

Congress's discretion is not unlimited . . . and the courts retain the power, as they have since *Marbury v. Madison* [1 Cranch 137, 176 (1803)], to determine if Congress has exceeded its authority under the Constitution.

City of Boerne, 117 S. Ct. at 2172. Thus, it remains for this Court to decide whether Congress exceeded its authority under § 5 when attempting to abrogate the states' Eleventh Amendment immunity in patent cases.

While the Federal Circuit declared it "beyond cavil" that a patent is property, Pet. App. A at 12a, the court failed to consider the fact that such a property interest is created by Congress acting under its Article I powers.⁶ As observed by the Fifth Circuit when

6. Instead, CSB and the lower courts in this case assumed that whatever bundle of "property" rights is embodied by a patent necessarily includes
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discussing copyrights (which arise out of the same constitutional provision as patents):

The contention that a copyright infringement claim is property protected by the Due Process Clause . . . proves too much. If it rests in the uniqueness of the property interest created by federal law . . . then it is a direct end-run around *Seminole Tribe's* holding that Article I powers may not be employed to avoid the Eleventh Amendment's limit on the federal judicial power. Congress could easily legislate 'property interests' and then attempt to subject states to suit in federal court for the violation of such interests. This end-run is just as possible under a liberal interpretation of the Due Process Clause of the Fourteenth Amendment as it was under theories of Article I rejected by the Court in *Seminole Tribe*.

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the right to sue a state in federal court. Patent rights, however, do not arise from an independent source such as state or common law but were created solely under the powers granted to Congress in Article I. See, e.g., *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923) (quoting *Gayles v. Wilder*, 51 U.S. 477, 494 (1850) ("[The patent monopoly did not exist at common law . . . It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes"])). Because *Seminole Tribe* squarely holds that Congress's Article I powers are subject to the limitations imposed by the later-enacted Eleventh Amendment, 517 U.S. at 72-73, the Eleventh Amendment limits the scope of Congress's Article I power to create property rights that could be enforced in federal court. Thus, while *Seminole Tribe* does not mean that Congress cannot create property rights under Article I or even that patents are not property, it does confirm that whatever statutory property rights Congress is able to create under Article I after the passage of the Eleventh Amendment do not include the right to have such rights enforced against states by suit in federal court.

Chavez v. Arte Publico Press, 157 F.3d 282, 289 (5th Cir.), *reh'g en banc granted* (October 1, 1998).⁷ If Congress may on one hand create the property interest under Article I and then on the other "enforce" it under the Enforcement Clause of the Fourteenth Amendment:

Congress's power to abrogate Eleventh Amendment immunity would appear to be coextensive with its power to legislate under Article I, and if so, *Seminole Tribe's* holding that Congress lacks the power to abrogate Eleventh Amendment immunity under Article I would be eviscerated.

Carlos Manuel Vazquez, *What is Eleventh Amendment Immunity?*, 106 Yale L.J. 1683, 1744-46 (1997). See also *Union Gas*, 491 U.S. at 44 (Scalia, J., dissenting) ("to acknowledge that the federal government can make the waiver of state sovereign immunity a condition to the state's action in a field that Congress has authority to regulate is substantially the same as acknowledging that the federal government can eliminate sovereign immunity in the exercise of its Article I powers"). Clearly, then, *Seminole Tribe* is reduced to nothing if the Fourteenth Amendment's Enforcement Clause is allowed to become a complete substitute for Congress's more limited Article I power.

Consistent with this limitation on Congress's enforcement powers, policy considerations such as Congress's desire for uniform application of the patent laws or its dislike of state remedies cannot trump the Eleventh Amendment, because such policy goals arise uniquely out of Article I. Just as Congress lacks power to enforce a right created under Article I by resort to the Fourteenth Amendment following *Seminole Tribe*, Congress may

7. A ruling in *Chavez* by the *en banc* Fifth Circuit has been stayed pending a decision from this Court in this case. The reasoning of the panel majority, however, remains cogent and worthy of consideration here.

not use the Fourteenth Amendment as a vehicle to promote its Article I legislative goals.

B. The Patent Remedy Act Cannot Be Upheld Following *City of Boerne* Because It Does Not Target Unconstitutional State Conduct And Lacks Congruity With The Means To Be Achieved.

Even if patents were not creatures of Article I, the Patent Remedy Act would remain unconstitutional. The last source of power to abrogate immunity cited by Congress when enacting the Act -- the Fourteenth Amendment's Enforcement Clause -- simply does not allow patent infringement claims to be brought against states in federal court absent a deprivation of patent property "without due process of law."

None of the five justifications for Congress's passage of the Patent Remedy Act evidence a desire to remedy or prevent a pattern of unconstitutional state conduct. In this regard, the Patent Remedy Act stands apart from established Enforcement Clause precedent of this Court. In *Fitzpatrick*, this Court held that Congress has the power to abrogate Eleventh Amendment immunity when acting to enforce the Equal Protection Clause of the Fourteenth Amendment. In that case, "there was conceded to be a violation of the Equal Protection Clause which is contained *in haec verba* in the language of the Fourteenth Amendment itself." *Hutto v. Finney*, 437 U.S. 678, 710 (1978) (Rehnquist, C.J., dissenting). *Fitzpatrick*'s abrogation holding was no novel pronouncement since state-sponsored discrimination, repugnant to the express terms of the Fourteenth Amendment's Equal Protection Clause, had been consistently recognized as a constitutional wrong that § 5 empowers Congress to correct. See, e.g., *Katzenbach v. Morgan*, 384 U.S. 641 (1966); *South Carolina v. Katzenbach*, 383 U.S. 301 (1966).

Although no decision of this Court has directly addressed the issue, Congress's enforcement powers under § 5 also extend to

violations of the Due Process Clause. *City of Boerne*, 117 S. Ct. at 2163. However, the specifics of when and how § 5 can be invoked to enforce other provisions of the Fourteenth Amendment such as the Due Process Clause were not addressed in *Fitzpatrick*. *City of Boerne* guides how these questions must be answered.

1. *Patent infringement alone is not a constitutional wrong and the Patent Remedy Act does not target any deprivation of property without due process of law.*

City of Boerne involved a challenge to the constitutionality of the Religious Freedom Restoration Act ("RFRA") on the basis that Congress had exceeded its § 5 enforcement powers when enacting that legislation. *Id.* In holding that Congress indeed lacked such power to enact the RFRA, this Court first examined the history of the Fourteenth Amendment and then considered the scope of the Enforcement Clause consistent with the Amendment's past. To elucidate its findings, the Court summarized its own precedent to show why "the reach and scope of RFRA distinguish it from other measures passed under Congress's enforcement power." 117 S. Ct. at 2170.

The Court turned first to *South Carolina v. Katzenbach*. There, "the challenged provisions were confined to those regions of the country where voting discrimination had been most flagrant . . . and affected a discrete class of state laws." 117 S. Ct. at 2170. Describing the outcome in that case, the Court stated that "to ensure that the reach of the [legislation] was limited to those cases in which constitutional violations were most likely (in order to reduce overbreadth)," coverage could be terminated where "the danger of substantial voting discrimination has not materialized during the preceding five years." *Id.* Accordingly, legislation passed under § 5 avoids unconstitutional overbreadth if not extended to instances where constitutional violations have not been shown to exist.

This Court next pointed out that the provisions banning literacy tests in *Katzenbach v. Morgan* and *Oregon v. Mitchell*,

400 U.S. 112 (1970), attacked a particular type of voting qualification with a long history as a "notorious means to deny and abridge voting rights on racial grounds." 117 S. Ct. at 2170 (citation omitted). The Court further noted that in *City of Rome v. United States*, 446 U.S. 156 (1980), the burden of the federal legislation was imposed only on jurisdictions with a history of intentional racial discrimination in voting. 117 S. Ct. at 2170.

Even so, the Federal Circuit declared that it did not read this Court's precedents to require enforcement of federal patent rights against states on a "piecemeal" basis or to allow abrogation only where a state has been shown not to provide due process to patent holders. Pet. App. A at 15a. But this Court's decisions cited in *City of Boerne* clearly hold that legislation enacted under § 5 is properly limited to instances where there are demonstrated, state-sponsored constitutional violations. A contrary finding ignores this Court's ruling in *City of Boerne* that Congress's enforcement powers may only be employed to remedy or prevent unconstitutional conduct and not to make a "substantive change in constitutional protections." 117 S. Ct. at 2170.

Identifying the type of conduct that is the proper focus of Enforcement Clause legislation, of course, is simply another way of identifying when resort to that clause in the first instance is appropriate. Lower courts before and after *City of Boerne* have uniformly required the existence of unconstitutional behavior to justify § 5 legislation. See, e.g., *Wheeling & Lake Erie Railway Co. v. Public Utility Commission of Pennsylvania*, 141 F.3d 88, 93-94 (3d Cir. 1998) (Railroad Revitalization and Regulatory Reform Act of 1976, 49 U.S.C. § 11501, was a valid exercise of § 5 enforcement power because it protected railroads against discriminatory taxes levied by state and local authorities in contravention of the Equal Protection Clause); *Doe v. University of Illinois*, 138 F.3d 653, 660 (7th Cir. 1998) (upholding abrogation accomplished through enactment of Title IX as designed to protect against invidious discrimination in state-run, federally funded

institutions); *Ramirez v. Puerto Rico Fire Service*, 715 F.2d 694 (1st Cir. 1983).⁸

That the Enforcement Clause is properly limited to preventing or remedying unconstitutional state conduct is perhaps best illustrated by *Wilson-Jones v. Caviness*, 99 F.3d 203 (6th Cir. 1996). There, the Sixth Circuit held that the amendment of the Fair Labor Standards Act ("FLSA") to allow states to be sued in federal court for FLSA violations was unconstitutional because no discriminatory practices were being redressed by that legislation. *Id.* at 210. Observing that Congress's power to abrogate sovereign immunity is "no longer unlimited" following *Seminole Tribe* and instead "depends on the particular purpose for which Congress attempts to take away the states' immunity," the Sixth Circuit concluded that the extension of the statute to the states could not be accomplished under § 5. *Id.* at 207. It observed "if we were to say that an act is valid if it is rationally related to achieving equal protection of the laws, then Section 5 becomes a license to Congress to pass any sort of legislation whatsoever." *Id.* at 209. The court found that the proper test is whether "there [is] something about the act connecting it to recognized Fourteenth Amendment aims." *Id.* FLSA did not pass that test.

The Sixth Circuit correctly foresaw that unless unconstitutional conduct such as race or sex discrimination is imminent,⁹ "any congressional action extending the scope of a law to cover a new class of people [could be justified] — thereby defeating the principle that Congress has limited power." *Wilson-*

8. See also *Fontenot v. Louisiana Bd. of Elementary and Secondary Education*, 835 F.2d 117 (5th Cir. 1988) (discrimination against the handicapped); *United States v. Uvalde Consol. Independent School Dist.*, 625 F.2d 547 (5th Cir. 1980) (at-large method of electing school board officials unconstitutional because of discriminatory impact on vote).

9. Justice Kennedy, in *City of Boerne*, examined whether such conduct was "likely." 117 S. Ct. 2170.

Jones, 99 F.3d at 207. Accord: *Timmer v. Michigan DOC*, 104 F.3d 833 (6th Cir. 1997).

Congress, too, has consistently adhered to the Fourteenth Amendment's original purpose of redressing unconstitutional state conduct when enacting § 5 legislation. See, e.g., the Public Accommodations Provision of the Civil Rights Act, 42 U.S.C. § 2000(a), *et seq.*; the Public Facilities Provision of the Civil Rights Act, 42 U.S.C. § 2000(b), *et seq.*; Public Education Provisions of the Civil Rights Act, 42 U.S.C. § 2000(c), *et seq.*; and the Vocational Rehabilitation Rights Act Amendments of 1986, 42 U.S.C. § 2000(d), *et seq.* Not until the recent amendment of the copyright, patent, and trademark laws to allow suits against the states in federal courts has Congress stepped outside of the Fourteenth Amendment's traditional bounds to enact legislation pursuant to § 5 that has not and cannot be shown to relate to the curing or preventing of unconstitutional state conduct.

According to the Senate Report, Congress believed that the Patent Remedy Act nevertheless "represents a valid extension of Congress' [sic] right to protect rights of [patentees]." J.A. at 20a. Such belief, echoed by the Federal Circuit, was founded upon the premise that patents are a species of property. When enacting the legislation, Congress stated:

The bill is justified as an acceptable method of enforcing the provisions of the Fourteenth Amendment . . . courts have continually recognized patent rights as property, [and] the Fourteenth Amendment prohibits a state from depriving a person of property without due process of the law.

Id. Even per Congress's own explanation, therefore, merely defining patents as property does not address the other two prongs of the Due Process Clause: the property owner must be "deprived"

of her property and such deprivation must occur "without due process of law."¹⁰

Despite this recitation of the elements essential to a Due Process analysis, neither Congress (nor the Federal Circuit, for that matter) properly considered all three prongs of the clause when examining the propriety of the Patent Remedy Act. In fact, they never looked past the first prong. The district court concluded that "the ultimate constitutional issue in this case is . . . whether the interests sought to be protected by the Patent Act are 'property' for purposes of the Fourteenth Amendment" without regard for the other two parts of the Clause. Pet. App. B at 78-79a. The Federal Circuit perpetuated this reasoning when affirming the decision to deny Florida Prepaid's motion to dismiss.

According to the lower courts in this case, Congress need only identify a "life, liberty, or property" interest it desires to protect in order for abrogating legislation to be "appropriate" to enforce the Due Process Clause. Under that analysis, Eleventh Amendment immunity will fall no matter what type of "property" or "liberty" interest is identified.¹¹ Clearly, if the logic underlying

10. In the absence of a legitimate "deprivation" of property, Congress's attempt in the Patent Remedy Act to abrogate state immunity will fail in most cases to remedy or deter a constitutional violation on that separate ground. In *Daniels v. Williams*, 474 U.S. 327, 331 (1986), this Court made clear that property is "deprived" for purposes of the Due Process Clause only where the state acts intentionally. *Id.* at 331 (this limitation on what constitutes a "deprivation" under the Due Process Clause "reflects the traditional and common-sense notion that the Due Process Clause . . . was intended to secure the individual from the arbitrary exercise of the powers of government"). In most instances, alleged patent infringement by a state or state entity will not amount to a "deprivation" for purposes of the Fourteenth Amendment. See, e.g., *Davidson v. Cannon*, 474 U.S. 344, 347-48 (1986) ("lack of due care simply does not approach the sort of abusive government conduct that the Due Process Clause was designed to prevent").

11. Such interests are vast. See, e.g., *Bell v. Burson*, 402 U.S. 535 (1971); *In re Ruffalo*, 390 U.S. 544 (1968); *Alaska Airlines, Inc. v. Long* (Cont'd)

the Patent Remedy Act's enactment is upheld, Congress's incondite construction of the Due Process Clause will allow it to abrogate sovereign immunity for the purpose of remedying or preventing state conduct that may negatively affect any one of these innumerable interests, however slightly.

Because the Patent Remedy Act abrogates the sovereign immunity of all fifty states without *any* regard for whether the states are actually violating the constitution by depriving persons of life, liberty, or property without due process, the Eleventh Amendment has been effectively emasculated. Congress has elevated a federal statutory cause of action to a constitutional violation. This is clearly a substantive change in the construction of constitutional protections available under the Fourteenth Amendment. As a result, the Patent Remedy Act irreconcilably conflicts with the unambiguous prescriptions laid down by this Court in *City of Boerne*.

- a. No unconstitutional state conduct can be remedied or prevented where states already afford patentees due process of law.

The Federal Circuit found solace in this Court's teaching that Congress may prohibit state conduct that does not itself violate the Constitution, provided the legislation is aimed at preventing a constitutional violation. Pet. App. A, 14a. The problem with that analysis is that the legislative history of the Patent Remedy Act reveals that Congress had no evidence of state-sponsored,

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Beach, 951 F.2d 977 (9th Cir. 1992) (airline has a "property" interest in the number of flights allocated at an airport). See, also, *Landon v. Plasencia*, 459 U.S. 21 (1982); *De Weese v. Palm Beach*, 812 F.2d 1365 (11th Cir. 1987); *Lansdale v. Tyler Junior College*, 470 F.2d 659 (5th Cir. 1972); *Boyd v. Board of Directors*, 612 F. Supp. 86 (E.D. Ark. 1985) ("rights" of a high school student to participate in sports at school); *McColleston v. Keene*, 586 F. Supp. 1381 (D.N.H. 1984) (juveniles have liberty interests in being free from unreasonable curfews).

unconstitutional conduct toward patent owners when writing the statute. The Federal Circuit admitted as much but pointed to eight instances between 1887 and 1990 where states have been sued for patent infringement as empirical evidence of states' misconduct and as legal justification for the Act. Pet. App. A, 21-22a.

In doing so, the Federal Circuit confused an allegation of ordinary patent infringement with a constitutional violation -- the deprivation of property without due process of law. Rather than looking to whether states have violated the patent code as alleged in the cited lawsuits, the court (and Congress) should have examined whether states had infringed patents or threatened to do so while also not providing patentees with constitutionally adequate due process under law. Their failure to appreciate this distinction and conduct the proper inquiry is fatal to the constitutionality of the Patent Remedy Act.

Examining the existence of alternative remedies in assessing the legitimacy of abrogating legislation was deemed an important factor in *Seminole Tribe*. 517 U.S. at 74. CSB enjoyed, and still enjoys, several options other than suing Florida Prepaid in New Jersey district court for patent infringement, but it has resolved to ignore them altogether. For instance, CSB arguably can pursue an action in federal court for injunctive relief under the authority of *Ex parte Young*, 209 U.S. 123 (1908), *Seminole Tribe* at 71 n.14 and 16. Such relief could ensure Florida's compliance with federal law while preserving CSB's patent property. Florida also provides a process by which CSB may seek to have a claim bill filed in the state legislature to provide money damages. See § 11.065, Florida Statutes. In fact, the Federal Circuit expressly conceded that the Florida claims procedure "most likely provides sufficient process to preclude a violation of the Fourteenth Amendment." Pet. App. A at 14a.

Likewise, CSB could elect to file suit against Florida Prepaid in Florida state court, where a takings claim founded upon

allegations of patent infringement has been recognized. *Jacobs Wind Electric Co. v. Florida Department of Transportation*, 626 So. 2d 1333, 1337 (Fla. 1993).¹² Holding that "Congress never intended to preclude these claims from state court review even though they involve a patent," the *Jacobs Wind* court observed:

This case presents a situation where a party was not just denied a particular remedy but was denied total access to courts to redress its grievances. This cannot be countenanced in light of Article I, Section 21 of the Florida Constitution, which provides that "[t]he courts shall be open to every person for redress of any injury, and justice shall be administered without sale, denial, or delay."

Id. at 1337. On that basis, the Florida Supreme Court held that Florida courts "have jurisdiction over the claims presented here" by a patent owner seeking a remedy for the state of Florida's alleged violation of his patent rights. *Id.*

Although *Jacobs Wind* was premised upon providing a state court forum and remedy to a patent owner because Congress had not expressed its intent to provide a federal forum for patent remedies against a state defendant, the subsequent passage of the Patent Remedy Act does not alter the legal significance and

12. Remedies potentially available in other states include inverse condemnation claims, takings claims under state constitutions, or statutory takings claims. See, for example, *Klopping v. City of Whittier*, 8 Cal. 3d 39, 43 (1972) (allowing inverse condemnation claim via Code of Civ. Proc. § 1250.110); *Debruhl v. State Highway and Pub. Works Comm'n*, 247 N.C. 671, 102 S.E. 2d 229 (1958) (Art. I § 19 of North Carolina's Constitution encompasses a prohibition against the taking of private property without just compensation; sovereign immunity no defense); N.Y. Ct. Cl. Act § 9(2) (McKinney 1989) (New York court of claims authorized "to hear and determine a claim of any person, corporation, or municipality against the state for the appropriation of any real or personal property or any interest therein . . .").

continuing applicability of that holding. If Florida state courts were willing to provide a forum and a remedy in the absence of a federal forum and remedy prior to the Patent Remedy Act's enactment as required by Florida's constitution, that same state process logically remains available now that *Seminole Tribe* and *City of Boerne* foreclose abrogation of Eleventh Amendment immunity in the absence of a due process violation.¹³

Consistent with this Court's precedent, patentees should be required to exhaust the available state remedies before any due process violation can be found. In *Williamson County Regional Planning Comm'n v. Hamilton Bank of Johnson City*, 473 U.S. 172, 195 (1985), this Court held that if a state provides adequate procedures for seeking just compensation, a property owner cannot state a claim in federal court under the Fifth Amendment until he has used the procedures and been denied just compensation:

. . . respondent did not seek compensation through the procedures the State has provided for doing so. The Fifth Amendment does not proscribe the taking of property; it proscribes taking without just compensation. Nor does the Fifth Amendment require that just compensation be paid in advance of, or contemporaneously with, the taking; all that is required is that a "reasonable, certain and adequate provision for obtaining compensation" exist at the time of the taking. If the government has provided an adequate process for obtaining compensation; and if resort to that process 'yield[s] just compensation,' then the property owner 'has no claim against the Government'

13. In fact, should Florida or other states refuse to provide constitutionally-adequate due process to patentees, review by this Court is still available to remedy such failure. *McKesson Corp. v. Div. of Alcoholic Beverages & Tobacco*, 496 U.S. 18, 27 (1990) (state must provide monetary remedy in state court for violation of federal law; Eleventh Amendment is no bar to Supreme Court review of state's refusal to do so).

for a taking. Thus, we have held that taking claims against the Federal Government are premature until the property owner has availed itself of the process provided by the Tucker Act, 28 U.S.C. 1491. Similarly, if a State provides an adequate procedure for seeking just compensation, the property owner cannot claim a violation of the Just Compensation Clause until it has used the procedure and been denied just compensation.

473 U.S. at 194-195 (citations omitted). Thus, before a federal court may examine whether the process provided by a state is constitutionally sufficient, the state must be given a chance to provide whatever process and remedies are available under its own procedures.¹⁴

Not only is there no evidence that the relief available from the states will not be constitutionally sound, there is no evidence that states will not apply the patent law precedents of the federal courts when fashioning such relief. See *Speedco, Inc. v. Estes*, 853 F.2d 909, 914 (Fed. Cir. 1988). Similarly, Congress should not be allowed to render state remedies irrelevant by providing a federal remedy and then justify the federal remedy by arguing that state remedies are inadequate compared to Title 35 — there is no constitutional right to any particular form of relief.¹⁵ See, e.g.,

14. CSB responded to this argument below by citing *Monroe v. Pape*, 365 U.S. 167, 183 (1961) for the proposition that patent owners are not obligated to pursue their state law remedies before a federal remedy is invoked. *Monroe* pertains to a claim under 42 U.S.C. § 1983 where the conduct complained of was itself a constitutional violation. Thus, *Monroe* simply means that there is no obligation to exhaust state remedies (and thereby show a due process violation) where the constitutional violation had already occurred. Stated differently, the constitutional claim at issue in *Monroe* was already complete within the meaning of *Williamson*. Since patent infringement is not itself a constitutional violation, *Monroe* is inapposite.

15. Of course, any inability to bring a patent infringement action in state court is the result of a congressional decision to confer exclusive
(Cont'd)

Gibbes v. Zimmerman, 290 U.S. 326, 332 (1933); *Petersen v. United States*, 191 F.2d 154, 157 (9th Cir.) (holding that "there is, constitutionally speaking, no basic right to any particular forum or form of remedy"). As held by this Court in *Parratt v. Taylor*, 451 U.S. 527, 543-44 (1981), due process is not violated where a state remedy would redress the property deprivation at issue even though not providing all relief (e.g., punitive damages or a jury trial) possibly available under federal law.¹⁶

Moreover, it cannot matter that patent owners might prefer to seek the more expansive range of remedies available under Title 35 against states; the controlling inquiry must be limited to whether available state process and remedies satisfy federal constitutional requirements. That the pursuit of claims through available state processes may result in varying levels of process and relief is endemic of any Due Process Clause analysis. Some states may provide greater remedies than others, yet all remedies may be constitutionally adequate. Allowing states to decide for themselves appropriate remedies is, after all, consistent with the underlying principles of federalism.

As clarified in *Zinerman v. Burch*, 494 U.S. 113, 125 (1990), the deprivation of property by state action is not itself unconstitutional; "what is unconstitutional is the deprivation of such an interest *without due process of law*." (emphasis in original). Regardless of when the deprivation occurs, the constitutional

(Cont'd)

jurisdiction in patent infringement actions on the federal courts. Thus, to the extent there is insufficient process available to patent owners on that basis, *is* cause is federal, not state, action. Section 5 of the Fourteenth Amendment does not authorize abrogation of state immunity to remedy injuries caused by federal conduct within Congress's exclusive control.

16. Because Congress's statutory scheme in Title 35 clearly contemplates that a patentee's remedies will be sought after any alleged infringement has begun, i.e., postdeprivation, this is not a situation in which a lack of predeprivation procedures could be deemed to violate the Due Process Clause. See, e.g., *Hudson v. Palmer*, 468 U.S. 517, 533 (1984); *Crozier v. Krupp*, 224 U.S. 290, 306 (1912).

violation "is not complete unless and until the state fails to provide due process." *Id.* at 126 (emphasis added).

Because Congress did not make any inquiry into the availability of due process in state courts when enacting the Patent Remedy Act, and CSB continues to refuse to avail itself of the remedies Florida already provides for the alleged deprivation in its state system, the Patent Remedy Act lacks an essential predicate to the operation of the Enforcement Clause -- a deprivation of property by a state that occurs "without due process of law."

2. *Exposing states to lost profits, treble damages, and attorney's fees in suits brought in federal court is both unduly intrusive and harmful to states.*

Having defined in *City of Boerne* when the Enforcement Clause may be used -- to prevent or redress unconstitutional state conduct -- this Court next turned to how that clause may be employed. When examining this question, the Court announced a balance that must be struck: "there must be congruence between the means used and the ends to be achieved." 117 S. Ct. at 2169. Even assuming *arguendo* that Congress had properly identified unconstitutional state conduct when enacting the Patent Remedy Act thereby satisfying *City of Boerne*'s first requirement, the next step is to ascertain whether the patent legislation at issue passes this balancing test.

In *City of Boerne*, this Court evaluated whether a proper balance had been struck between the end to be achieved and the means employed by comparing the RFRA at issue to the Voting Rights Act. Finding no balance present, the Court stated:

RFRA cannot be considered remedial, preventative legislation, if those terms are to have any meaning. RFRA is so out of proportion to a supposed remedial or preventative object that it cannot be understood as responsive to, or designed to prevent, unconstitutional

behavior . . . Preventative measures prohibiting certain types of laws may be appropriate where there is reason to believe that many of the laws affected by the congressional enactment have a significant likelihood of being unconstitutional.

117 S. Ct. at 2170.

Just as the RFRA was not "so confined," *id.*, neither is the Patent Remedy Act. Under the patent laws, patentable subject matter is broadly construed to include "anything under the sun that is made by man." *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). The Act's proscription against state patent infringements, therefore, allows intrusion into the actions of every state official and conceivably touches all forms of state activities. Indeed, whenever states procure technology employed by their police for protecting states' citizenry, or their agencies use office supplies, they may unknowingly infringe a patent.¹⁷ The Patent Remedy Act may be invoked to attack state conduct in federal court whenever a patent owner feels, correctly or incorrectly, that his patent rights have been impinged. Thus, as with the RFRA, the Patent Remedy Act's invasive "reach and scope" also serve to "distinguish it from other measures passed under Congress's enforcement power." 117 S. Ct. at 2170.

Central to the Federal Circuit's approval of the Patent Remedy Act was its belief that considerable harm would result to patentees and the patent system if there was no right to sue states in federal court under Title 35, because patents on inventions used primarily by states would be rendered "almost worthless." Pet. App. A at 23a. Even ignoring that it is harm arising from an unconstitutional denial of due process rather than the alleged harm caused by state patent infringement that is the relevant harm to be weighed, the

17. There is an unlimited range of state conduct, from ordinary ministerial acts to the providing of core governmental services like education, that may expose a state to claims of direct, induced, or contributory patent infringement.

Federal Circuit wrongly concluded that the harm to states flowing from the abrogation of their Eleventh Amendment immunity is "modest" or "slight." *Id.* But if the envisioned harm resulting from the possibility of tortious state conduct is automatically weightier than the harm to states in having to defend themselves from patent infringement claims in federal court, the Eleventh Amendment will always lose.

Ironically, the Federal Circuit's rationale for approving the allegedly "modest" means used by Congress to prevent state patent infringement conflicts with its own analysis of the alleged harm being remedied by the Act. In order to magnify that harm, the court asserted that patented inventions embraced by states are those likely to be usable only by states. Pet. App. 23a. Then, to justify exposing states to the same remedies as private parties, the Federal Circuit relied on exactly the opposite view:

Conduct that could constitute patent infringement is part of the states' commercial activity, not its central political governance role. Thus, the Patent Remedy Act will rarely constrict or restrain a state in the performance of its core governmental functions.

Pet. App. A, 24a.¹⁸ The Federal Circuit cannot be allowed to have it both ways. If patented inventions are likely to be used only by

18. Because CSB did not contest that Florida Prepaid was entitled to Eleventh Amendment immunity, and because the district court had already found that Florida Prepaid was performing a core governmental function, Pet. App. B 57a, the Federal Circuit had no basis for suggesting that Florida Prepaid's activities in providing for college education funding was commercial activity rather than a "critical state interest." Pet. App. A, 24a. Indeed, the Third Circuit had already affirmed that very finding by the district court so the Federal Circuit's contrary suggestion was barred as a matter of issue preclusion. See 131 F.3d at 364. In any event, causing states to be haled into federal court to defend patent infringement actions will have a serious and direct effect on core governmental functions beyond just the financial impact.

states, those same inventions will surely relate to some aspect of the states' core governmental functions. Moreover, because the scope of the Federal Circuit's abrogation holding is not limited by the type of invention covered by the patent being asserted against the state, the states are exposed to federal patent suits regardless of whether the patent at issue relates to a state's police activities, legislative functions, or the like.

Without the Patent Remedy Act, patentees who believe they have suffered state-sponsored patent infringement retain their property, and will remain able to sell or license the patented invention to others, and "recoup the expenses involved with the discovery of important inventions" for their efforts. J.A. 20a. Patentees may attempt to enjoin future state conduct that diminishes their interests, and, at least in Florida, may sue to recover damages under state law. Under the Patent Remedy Act, on the other hand, states are forced to suffer the "indignity" of suit by private parties in a federal court in far-away jurisdictions and are exposed to treble damages and attorney's fees in the process. See *Puerto Rico*, 506 U.S. at 146 (Eleventh Amendment designed to prevent the indignity of subjecting a state to the coercive process of judicial tribunals at the instance of private parties); *Hess v. Port Authority Trans-Hudson Corp.*, 513 U.S. 30, 115 S. Ct. 394, 403 (1994) (twin reasons for passage of Eleventh Amendment include to protect the public fisc and to accord states respect as members of a federation).

The conclusion that these damage claims under Title 35, if successful, will have a significant impact on state treasuries was affirmed by Congress's express observation that such claims will be a meaningful deterrent to patent infringement and, as such, a sound goal of the Act. See J.A. 23a. This Court also recognized this fact in *City of Boerne* when it concluded that "the substantial costs RFRA exacts, both in practical terms of imposing a heavy litigation burden on the states and in terms of curtailing their traditional general regulatory power, far exceed any pattern or

practice of unconstitutional conduct." 117 S. Ct. at 2171. The same is true here. The Patent Remedy Act imposes a heavy litigation burden on states without a scintilla of evidence of unconstitutional conduct being practiced -- or contemplated -- by Florida or any other state toward patent owners. The desire to deter state conduct with threats of increased damage awards is simply not a legitimate predicate for Enforcement Clause legislation. *See Vázquez*, 106 Yale L.J. at 1730 (compensatory or deterrence interests are insufficient to overcome the dictates of the Eleventh Amendment, *citing, Mansour*, 474 U.S. at 68).¹⁹

A chilling effect on state activities will inevitably result should this Court uphold the Patent Remedy Act because states will reasonably be hesitant to engage in conduct for the benefit of the public that may directly or tangentially impact patent rights and embroil the state in litigation. Armed with expansive § 5 power as construed in this case, Congress can force states to defend demands for significant money damages in federal court each time Congress senses the slightest effect upon any liberty or property interest and does not like the remedies already provided by the states. Because the Patent Remedy Act does not strike a balance between the means and the end to be achieved, Congress's attempt to invoke § 5 as a source of abrogation power cannot be upheld.

19. This Court should reject the Federal Circuit's assertion that the absence of a right to sue a state in federal court under Title 35 causes patents to "decline drastically in value, because there is no access to the remedies of attorney fees and treble damages." Pet. App. A at 23a (citing 35 U.S.C. §§ 284, 285). Such provisions are meant to deter improper conduct by an accused infringer, not reward the patent owner, and cannot properly be deemed part of the value of a patent. *See Lessona Corp. v. United States*, 599 F.2d 958, 969 (Ct. Cl. 1979).

3. *That the Patent Remedy Act is incongruent to the ends to be achieved is clear when compared with 35 U.S.C. § 1498.*

The Federal Circuit's final conclusion, that there is "no sound reason" to treat states differently from private citizens, simply cannot stand given the express purpose of the Eleventh Amendment. It is, of course, precisely because of the Eleventh Amendment that states are not treated like private parties. *See Welch v. Texas Dep't of Highways and Pub. Transp.*, 483, 477 (1987) ("the constitutional role of the States sets them apart from other . . . defendants"). Congress appears to have been so overwhelmed by its desire to afford the broadest relief possible to patentees against the states, and to treat states on par with private citizens, that it forgot this important constitutional limitation.

In practical effect, Congress has already demonstrated that a more proportionate remedy for the harm allegedly caused by infringement by state sovereigns can be designed. In enacting what is now 28 U.S.C. § 1498, Congress allowed a patent owner to recover "his reasonable and entire compensation" for any use and manufacture of a patented invention by the federal government. In contrast to the remedies in Title 35 available against private parties, those available against the United States do not include injunctive relief against future infringement. *See Crozier*, 224 U.S. at 308. The remedies also do not include punitive measures such as treble damages, *Lessona*, 599 F.2d at 969, or awards of attorney's fees. *Id.* at 970 (*citing Calhoun v. United States*, 453 F.2d 1385, 172 U.S.P.Q. 438, 446 (Ct. Cl. 1972)). Moreover, damages against the United States are limited to a reasonable royalty rather than a patent owner's lost profits. *See Tektronix v. United States*, 552 F.2d 343, 351 (Ct. Cl. 1977).

When Congress rejected the Title 35 remedies for use against the United States, it did so because they were deemed "excessive" or "unreasonable" as a means to satisfy the Constitution. *See*

Lessona, 599 F.2d at 966-71 (and cases cited). However, because of Congress's intent to treat the states like private parties, remedies *not* available against the United States have now been imposed against all of the states under the Patent Remedy Act. For good measure, each state is also subject to being sued in every other state in the country, as illustrated here where a Florida state agency has been forced to defend itself in New Jersey. The punitive nature of the Patent Remedy Act in contrast to § 1498 exemplifies how excessive and disproportionate the Act is to the targeted wrong.

As is seen from the foregoing, and as held by this Court in *City of Boerne*, § 5 legislation becomes substantive and, therefore, unconstitutional, where there is a lack of congruity between the constitutional injury to be prevented and the means adopted to that end. When that occurs, Congress oversteps its bounds and crosses into the exclusive realm of the judiciary. 117 S. Ct. at 2164. Targeting state conduct amounting to nothing other than a tort contravenes *City of Boerne*'s requirement that Congress be acting to redress or prevent constitutional wrongs. Not only has no such wrong been identified or established, but allowing the full range of Title 35 relief to be recovered against a state in federal court to remedy or deter states' tortious conduct is woefully incongruent to the identified harm. As a result, the Patent Remedy Act violates *City of Boerne*'s unambiguous imperatives and is thus an unconstitutional attempt by Congress to abrogate states' Eleventh Amendment immunity from patent suits in federal court.

CONCLUSION

The decision of the Federal Circuit should be reversed and remanded with instructions that CSB's patent infringement claim be dismissed.

Respectfully submitted,

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OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD, PETITIONER

v.

COLLEGE SAVINGS BANK AND
THE UNITED STATES OF AMERICA

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES

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QUESTION PRESENTED

Whether Congress has authority under Section 5 of the Fourteenth Amendment to make state entities amenable to suit in federal court for claims of patent infringement.

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In the Supreme Court of the United States

OCTOBER TERM, 1998

No. 98-531

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD, PETITIONER

v.

COLLEGE SAVINGS BANK AND
THE UNITED STATES OF AMERICA

*ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

BRIEF FOR THE UNITED STATES

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-26a) is reported at 148 F.3d 1343. The opinion of the district court (Pet. App. 27a-91a) is reported at 948 F. Supp. 400. An earlier opinion of the district court is reported at 919 F. Supp. 756.

JURISDICTION

The judgment of the court of appeals was entered on June 30, 1998. The petition for a writ of certiorari was filed on September 28, 1998, and was granted on January 8, 1999. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

1. The Patent Clause of the United States Constitution, Article I, Section 8, Clause 8, provides:

The Congress shall have power * * * [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

2. The Eleventh Amendment to the United States Constitution provides:

The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

3. The Fourteenth Amendment to the United States Constitution provides, in relevant part:

SECTION 1. * * * No State shall * * * deprive any person of life, liberty, or property, without due process of law.

* * * * *

SECTION 5. The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.

4. Section 271(h) of Title 35, United States Code, provides:

Infringement of patent

As used in this section, the term "whoever" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

5. Section 296 of Title 35, United States Code, provides:

Liability of States, instrumentalities of States, and State officials for infringement of patents

(a) **IN GENERAL.**—Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title.

(b) **REMEDIES.**—In a suit described in subsection (a) for a violation described in that subsection, remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity. Such

remedies include damages, interest, costs, and treble damages under section 284, attorney fees under section 285, and the additional remedy for infringement of design patents under section 289.

STATEMENT

1. The Patent Clause of the Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries." U.S. Const. Art. I, § 8, Cl. 8. Congress has accordingly authorized the issuance of patents under a system that "encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time." *Pfaff v. Wells Elecs., Inc.*, 119 S. Ct. 304, 310 (1998).

"A patent is a species of property," *Transparent-Wrap Mach. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 643 (1947), that entitles its owner for a time to exclude others from making, using, or selling the invention protected by the patent. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229-230 (1964). It is not disputed that the property interest secured by a federal patent includes the right to exclude state entities as well as private parties from making, using, or selling the patented invention, or that the creation of a property interest that excludes States is a legitimate exercise of Congress's substantive power under the Patent Clause.

Essential to the property interest secured by the federal patent is a right to compensation for unauthorized, or infringing, uses of the patented invention without license from the patent holder. Thus, since the enactment of the first patent statute in 1790, Congress

has authorized private causes of action for patent infringement. See, e.g., Act of Apr. 10, 1790, ch. 7, § 4, 1 Stat. 111; Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 322; Act of Apr. 17, 1800, ch. 25, § 3, 2 Stat. 38; Act of July 4, 1836, ch. 357, § 14, 5 Stat. 123; 35 U.S.C. 271. Moreover, because of the considerable complexity of patent-infringement claims, as well as the strong federal interest in ensuring the development of a consistent and uniform body of patent law, Congress has historically provided the federal courts with exclusive jurisdiction over cases arising under the patent laws. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989). In 1982, Congress further strengthened its policy of promoting uniform development of patent law when it established the United States Court of Appeals for the Federal Circuit and vested that court with exclusive jurisdiction over all appeals in cases arising under federal patent law. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 127(a), 96 Stat. 37 (28 U.S.C. 1295(a)(1)).

In 1992, Congress enacted the Patent and Plant Variety Protection Remedy Clarification Act (Patent Remedy Act), Pub. L. No. 102-560, § 2(a)(2), 106 Stat. 4230, which expressly abrogated the Eleventh Amendment immunity of any State or state instrumentality from patent-infringement suits. See 35 U.S.C. 296(a); see also S. Rep. No. 280, 102d Cong., 2d Sess. 2 (1992) (J.A. 6a). The Patent Remedy Act was intended in part to enforce the right of patent holders to protect the property interest in their patents from deprivation by the States without due process of law. *Id.* at 8 (J.A. 20a). The Senate Judiciary Committee Report accompanying the Patent Remedy Act invoked the Patent Clause, the Commerce Clause (U.S. Const. Art. I, § 8, Cl. 3), and the Enforcement Clause of Section 5 of the

Fourteenth Amendment as bases for the legislation. See S. Rep. No. 280, *supra*, at 7-8 (J.A. 18a-19a).

2. Respondent College Savings Bank (CSB) markets certificates of deposit (CDs) under the trademark "CollegeSure." The CollegeSure CDs are deposit contracts for financing future college expenses. CSB obtained a patent for its financing methodology, which is designed to guarantee investors sufficient funds to cover the costs of tuition for college. See Pet. App. 2a.

The Florida legislature created petitioner Florida Prepaid Postsecondary Education Expense Board as part of a legislative initiative to foster greater educational opportunities at the State's colleges and universities. See Fla. Stat. Ann. § 240.551 (West 1998 & Supp. 1999); see also Pet. App. 2a & n.1. Since 1988, petitioner has administered the Florida Prepaid Postsecondary Education Expense Program, a tuition-prepayment program available to "qualified beneficiaries" as defined by Florida law. Pet. App. 28a-29a & n.2. Those "qualified beneficiaries" include any student who is a Florida resident at the time the advance payment contract is formed, as well as any non-resident student who is the child of a non-custodial parent who is a resident of Florida at the time of contract formation. Fla. Stat. Ann. § 240.551(2)(e) (West 1998 & Supp. 1999); Pet. App. 29a n.2.

CSB filed two separate actions against petitioner in the United States District Court for the District of New Jersey. In the suit at issue here, CSB alleged that petitioner had knowingly and willfully infringed CSB's patent. CSB sought declaratory and injunctive relief and damages. C.A. App. 100-103.¹ After this Court

¹ CSB also filed a separate action alleging that petitioner had made false claims about its own product in violation of the Lanham

decided *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), petitioner moved to dismiss CSB's patent-infringement claim on Eleventh Amendment grounds. Pet. App. 38a. The United States intervened pursuant to 28 U.S.C. 2403(a) to defend the constitutionality of the Patent Remedy Act.

The district court denied petitioner's motion to dismiss CSB's patent-infringement claim. Pet. App. 27a-91a. The court held that the Patent Remedy Act is a valid abrogation of States' Eleventh Amendment immunity from suit in federal court on patent-infringement claims. In particular, the court held that the Patent Remedy Act is a valid means of enforcing the Fourteenth Amendment's protection against the deprivation of property without due process of law. *Id.* at 78a-86a. The court explained that "a patent is 'property' for purposes of the Fourteenth Amendment, and Congress can, under that Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act." *Id.* at 85a-86a.

3. The court of appeals affirmed. Pet. App. 1a-26a. The court held that Congress had clearly expressed its intent to abrogate the States' immunity from suit in federal court for patent infringement, and that Congress is empowered under Section 5 of the Fourteenth Amendment to effectuate such an abrogation. *Id.* at 5a-26a. The court stated that "[i]n subjecting the states to

Trade-Mark Act, 15 U.S.C. 1125(a). The district court dismissed the Lanham Trade-Mark Act suit on Eleventh Amendment grounds, the Third Circuit affirmed, and CSB filed a petition for a writ of certiorari from the Third Circuit's judgment. This Court granted CSB's petition in that case on January 8, 1999, the same day that it granted the petition filed in this case. See *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, No. 98-149 (to be argued Apr. 20, 1999).

suit in federal court for patent infringement, Congress sought to prevent states from depriving, patent owners of their property without due process through infringing acts, an objective that comports with the text and judicial interpretations of the Fourteenth Amendment." *Id.* at 13a. The court also found a "congruence between the means used and the ends to be achieved" by Congress in subjecting the States to suit for patent infringement. *Id.* at 24a (quoting *City of Boerne v. Flores*, 521 U.S. 507, 530 (1997)).

SUMMARY OF ARGUMENT

I. A. This Court has repeatedly made clear that Section 5 of the Fourteenth Amendment empowers Congress to abrogate States' Eleventh Amendment immunity in order to secure the protections of the Fourteenth Amendment and to deter and remedy violations of those rights. Section 5 vests Congress with broad authority in those respects, and Congress's judgments in this area "are entitled to much deference." *City of Boerne v. Flores*, 521 U.S. 507, 536 (1997). Congress reasonably concluded that the abrogation of States' Eleventh Amendment immunity to suit in federal court for patent-infringement claims is appropriate to secure the Fourteenth Amendment's protection against deprivation, without due process of law, of inventors' property rights in their patents.

B. 1. The Fourteenth Amendment provides constitutional protection against the arbitrary deprivation of private property by the States. A patent is a form of property that confers on the patent owner the right to exclude others, including state entities, from making, using, or selling the patented invention. Infringement of a patent by a state entity through unauthorized use of an invention therefore "depriv[es]" a patent owner of

his property right to exclude use, within the meaning of the Due Process Clause. The Patent Remedy Act secures constitutional protection for a classic form of property. That legitimate protection does not suggest, however, that Congress has limitless power to vest private interests with the status of property and then use its Fourteenth Amendment power to subject States to suit in federal court for infringing those interests.

2. a. In abrogating the States' Eleventh Amendment immunity to suit for patent infringement, Congress acted appropriately to protect the property interest in federal patents against state deprivation without due process of law. There have been instances of state patent infringement in the past, and, given the increasing involvement of state entities in areas covered by patents, Congress had reason to believe that the problem would become even more serious in the future. Section 5 therefore empowered Congress to ensure that reliable procedures would be available to protect the property rights conferred under the patent laws.

b. Congress was not required to relegate patent owners to the remedies for a taking of property under the Just Compensation Clause, or to whatever remedies might be available in state court under state tort law. First, it is doubtful that it is appropriate to apply takings law to a state entity's infringement of a patent at all, because the Supremacy Clause prevents a State from exercising its power of eminent domain over a federal patent. Further, Congress might reasonably have concluded that it would be uncertain how state courts would apply taking law to patents. This Court has recognized a *per se* taking only when the governmental action entirely extinguishes the right to either occupy or productively use property, a method of analysis that might not be readily applicable to claims

of patent infringement. Although the Court has also recognized claims of regulatory takings, patent infringements may occur without a regulatory nexus; moreover, regulatory taking claims are governed by an ad hoc inquiry that, Congress could reasonably conclude, is insufficiently uniform and certain to ensure the necessary protection against patent infringement. Further, Congress might reasonably perceive standard remedies applied in state courts for takings as inadequate to secure the federally conferred property interest in patents, because the patent gives the inventor the right to exclude others and to engage in exclusive use of the invention, not just the right to demand compensation from others for use of the invention, and because in some cases the measure of compensation in standard taking cases might also be considered insufficient to compensate a patent owner for his economic loss caused by state infringement.

Congress could also have reasonably concluded that the possibility of a meaningful state-law remedy for the deprivation of a patent owner's property interest is speculative. At least two States have not waived their sovereign immunity at all, and other States have imposed significant qualifications on their waivers of immunity from tort suits. Congress therefore had reason to doubt the general adequacy of alternative remedies against States for patent infringement. And Congress is not required to enforce patent rights on a piecemeal, State-by-State basis, under which a patent owner's right to sue a state entity for infringement under federal law might turn on a fact-specific evaluation of the alternative remedies available against that particular State under its own laws. Finally, Congress is entitled to conclude that a post-deprivation remedy in damages for a state entity's deprivation of a patent

owner's property interest is necessary because a pre-deprivation remedy would be impracticable given the circumstances in which patent-infringement claims arise. A state entity in competition with a patent owner is not likely to give the patent owner pre-deprivation notice of its intent to infringe the patent.

c. Because of the important federal interest in the uniform development of patent law and consistent adjudication of patent-infringement claims, Congress has long channeled patent-infringement claims exclusively into the federal courts. It has also established a federal court of appeals with exclusive subject-matter jurisdiction over cases arising under the patent laws to provide uniformity that promotes a reliable and consistent system of patent protection. Issues relating to patent infringement can be highly complex, and state courts have not heretofore been called upon to develop expertise in questions arising under the federal patent code. Congress also has historically viewed claims of patent infringement as more appropriate for vindication by private enforcement, rather than prosecution by the federal government, reflecting the fact that a patent owner is most likely to understand the factual basis of a claim of infringement. It is therefore appropriate for Congress to provide for private claims of patent infringement brought against state entities to be adjudicated only in the federal courts.

3. Congress is not required to limit the federal courts' jurisdiction over patent-infringement cases against state entities to those in which intent to infringe is alleged and proven. Such a rule would introduce serious inefficiencies, because the courts would be unable to determine their jurisdiction at the outset of the case, but would in many cases be required to hold trials to determine whether the alleged infringer had

acted with intent—an inquiry that is ordinarily unnecessary to determine the substantive question of infringement. Given those difficulties, and the fact that Congress’s substantive regulation of patent infringement by state entities is constitutionally unobjectionable, it is appropriate for Congress to assign patent-infringement cases against state entities to the federal courts without requiring a showing of intent.

C. This case is far removed from *City of Boerne v. Flores*, 521 U.S. 507 (1997). In that case, the Court invalidated a statute with sweeping coverage that ensured its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter. In contrast, the Patent Remedy Act speaks only to a state entity’s illegal production, use, or sale of a patented device or method. The Act does not intrude into any sphere of primary conduct constitutionally reserved to the States. Hence, Congress’s decision to subject state entities to suit for engaging in unlawful commercial activity does not raise the concerns that animated the decision in *City of Boerne*.

II. Application of the Patent Remedy Act in this case may also be sustained on the ground that petitioner has waived its Eleventh Amendment immunity by engaging in commercial activity that infringes CSB’s patent. A State voluntarily waives its Eleventh Amendment immunity by engaging in commercial activity when Congress has unequivocally provided that a State that engages in that conduct will be amenable to suit in federal court, and when that conduct is of a nature that the State could realistically choose to abandon. Those conditions are satisfied in this case.

ARGUMENT

I. CONGRESS HAS VALIDLY MADE STATE ENTITIES AMENABLE TO SUIT IN FEDERAL COURT FOR CLAIMS OF PATENT INFRINGEMENT

A. Congress Has Power Under Section 5 Of The Fourteenth Amendment To Make State Entities Amenable To Suit In Federal Court, In Order To Secure The Guarantees Of The Due Process Clause Of That Amendment, And To Deter And Remedy Violations Of That Clause

It is firmly established that Congress’s power under Section 5 of the Fourteenth Amendment includes the power to abrogate the Eleventh Amendment immunity of the States, so that they will be amenable to suit in federal court:

[T]he Eleventh Amendment, and the principle of state sovereignty which it embodies, are necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment. In that section Congress is expressly granted authority to enforce “by appropriate legislation” the substantive provisions of the Fourteenth Amendment, which themselves embody significant limitations on state authority. When Congress acts pursuant to § 5, not only is it exercising legislative authority that is plenary within the terms of the constitutional grant, it is exercising that authority under one section of a constitutional Amendment whose other sections by their own terms embody limitations on state authority. We think that Congress may, in determining what is “appropriate legislation” for the purpose of enforcing the provisions of the Fourteenth Amend-

ment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts.

Fitzpatrick v. Bitzer, 427 U.S. 445, 456 (1976) (citation omitted). This holding of *Fitzpatrick* was in no way disturbed by the Court's subsequent decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), which held (*id.* at 59, 65-66) that Congress lacked power under the Indian Commerce Clause, (Art. I, § 8, Cl. 3) to abrogate a State's immunity from suit in federal court. See *Seminole Tribe*, 517 U.S. at 72 n.15 (reaffirming that, "in the context of a statute passed under the Fourteenth Amendment, * * * Congress' authority to abrogate [Eleventh Amendment immunity] is undisputed"). *Fitzpatrick* therefore continues to state the overarching principle for cases involving exercises of congressional power under Section 5: Congress may exercise its Fourteenth Amendment power to abrogate a State's Eleventh Amendment immunity from suit.

Section 5 of the Fourteenth Amendment vests Congress with the "power to enforce, by appropriate legislation, the provisions of [the Amendment]." U.S. Const. Amend. XIV, § 5. The provisions of the Fourteenth Amendment that Congress may enforce pursuant to Section 5 extend to "every right guaranteed by the Due Process Clause," *United States v. Price*, 383 U.S. 787, 789 (1966) (internal quotation marks omitted), including the right against the deprivation of property without due process of law. Furthermore, as the Court recently reaffirmed, Section 5 "is 'a positive grant of legislative power' to Congress." *City of Boerne v. Flores*, 521 U.S. 507, 517 (1997) (quoting *Katzenbach v. Morgan*, 384 U.S. 641, 651 (1966)). Section 5 gives

Congress broad discretion to determine in the first instance "whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment." *Id.* at 536 (internal quotation marks omitted). "Whatever legislation is appropriate, that is, adapted to carry out the objects the [Fourteenth Amendment] ha[s] in view, * * * if not prohibited, is brought within the domain of congressional power." *Id.* at 517-518 (internal quotation marks omitted). Accordingly, Section 5 grants Congress the authority to abrogate the States' Eleventh Amendment immunity in circumstances that are appropriate to secure the Fourteenth Amendment's protection against deprivation of property without due process of law.

Moreover, the question whether Congress has power under Section 5 of the Fourteenth Amendment to prohibit or regulate a form of state activity is distinct from the question whether that particular conduct might be held by a court to violate the substantive provisions of that Amendment. As this Court has repeatedly recognized, "[l]egislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into legislative spheres of autonomy previously reserved to the States." *Lopez v. Monterey County*, 119 S. Ct. 693, 703 (1999) (quoting *City of Boerne*, 521 U.S. at 518); see also *Morgan*, 384 U.S. at 649 (Congress, pursuant to its Section 5 powers, could bar States from imposing English-literacy requirements already adjudicated to be constitutional); cf. *City of Rome v. United States*, 446 U.S. 156, 177 (1980) ("It is clear * * * that under § 2 of the Fifteenth Amendment Congress may prohibit practices that in and of themselves do not violate § 1 of the Amendment,

so long as the prohibitions attacking racial discrimination in voting are 'appropriate.'). Thus, Congress may under "appropriate" circumstances abrogate a State's immunity to suit in federal court to ensure adequate constitutional protection for property, even if not every deprivation of property subject to challenge in federal court under that abrogation would be unconstitutional.

B. Subjecting State Entities To Suit In Federal Court For Patent Infringement Is An Appropriate Means Of Securing The Protections Of The Due Process Clause

1. Patents Are A Form Of Property That Congress May Protect From Unconstitutional Deprivation Under Section 5

The right to exclude others from use of an invention covered by a federal patent is, without doubt, property protected against unconstitutional deprivation by the Due Process Clause of the Fourteenth Amendment, U.S. Const. Amend. XIV, § 1. The "types of interests protected as property [by the Clause] are varied and, as often as not, intangible." *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 430 (1982) (internal quotation marks omitted). Indeed, the Court long ago made clear that patents are a form of property. See *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 425 (1908) ("[P]atents are property, and entitled to the same rights and sanctions as other property."); *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) ("A patent for an invention is as much property as a patent for land."); *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 197 (1856) ("For, by the laws of the United States, the rights of a party under a patent are his private property."). Patents give their owners the right to exclude others from making, using, or selling an invention for a certain period, *Kewanee Oil Co. v.*

Bicron Corp., 416 U.S. 470, 480 (1974), and that right of exclusion is among the "most essential sticks in the bundle of rights that are commonly characterized as property," *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979). Congress has therefore provided that, subject to the provisions of the patent code, "patents shall have the attributes of personal property." 35 U.S.C. 261.²

Federal patents are therefore entitled to protection against deprivation without due process of law, and Congress may act under the Fourteenth Amendment to secure that protection. Petitioner contends (Pet. Br. 17-19), however, that to permit Congress to invoke the Fourteenth Amendment to protect property interests that it creates under its Article I powers (such as patents) would allow Congress to circumvent the limitations on its power to abrogate Eleventh Amendment immunity set forth in *Seminole Tribe*. The Due Process Clause, however, protects only "life, liberty, [and] property" from deprivation. U.S. Const. Amend. XIV, § 1; see *Paul v. Davis*, 424 U.S. 693, 710-712 (1976). While Congress undoubtedly has latitude in determining that a particular private interest created under its Article I power should have the status of

² Like other forms of property, a patent (or any interest therein) can be assigned through sale, mortgage, or gift, and is transferred by the death of the patent owner to the administrator or executor of the owner's estate. See *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 135-136 (1969); *Bement v. National Harrow Co.*, 186 U.S. 70, 88-89 (1902); *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891); *Wilson v. Rousseau*, 45 U.S. (4 How.) 646, 674-675 (1846); see also 35 U.S.C. 261 (providing that patent or any interest therein may be assigned by instrument in writing, and providing for recordation of assignments in Patent and Trademark Office).

"property," so that the guarantees of the Due Process Clause are implicated, that latitude is not unlimited. Thus, the fact that the Fourteenth Amendment authorizes Congress to protect property interests created by Article I does not make Congress's power to abrogate Eleventh Amendment immunity coextensive with its power to legislate under Article I, as petitioner asserts (Pet. Br. 19). In cases where Congress has acted to secure the protections of the Due Process Clause for property, the courts are empowered to decide whether the interest protected may in fact appropriately be considered to be "property" within the meaning of that Clause. Cf. *American Mfrs. Mut. Ins. Co. v. Sullivan*, No. 97-2000 (Mar. 3, 1999), slip op. 17-20 (holding that state utilization-review procedures had not created "property" protected by the Due Process Clause).³

Indeed, much substantive regulation enacted by Congress pursuant to Article I has not been viewed as creating property interests that fall within the scope of the Fourteenth Amendment. For example, as we

³ Petitioner further contends (Pet. Br. 18 n.6) that *Seminole Tribe* "confirm[s] that whatever statutory property rights Congress is able to create under Article I after the passage of the Eleventh Amendment do not include the right to have such rights enforced against states by suit in federal court." That argument conflates the substance of a property interest with the means adopted by Congress to protect that interest. The substantive property interest at issue in this case is the right of a patent owner to exclude others, including States, from exploiting a patented invention. See 35 U.S.C. 154, 271(h), 296. The property interest in excluding others from use of one's invention exists apart from the federal-court forum established by Congress to protect that interest. Cf. *Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532, 541 (1985) ("Property' cannot be defined by the procedures provided for its deprivation."); *ibid.* ("The categories of substance and procedure are distinct.").

explain in our brief (at pp. 30-33) in *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, No. 98-149 (to be argued Apr. 20, 1999), although the Lanham Trade-Mark Act prohibits the misrepresentation, in commercial advertising, of one's own goods or services, see 15 U.S.C. 1125(a)(1)(B), that Act does not thereby create in competitors a property interest against such misrepresentations. For that reason, Congress's authorization of suits against States in federal court for misrepresenting their own business products (while valid on other grounds under our contentions in that case) cannot be sustained as an exercise of Congress's powers under Section 5 of the Fourteenth Amendment, for a State's misrepresentation of its own product does not deprive competitors of any constitutionally protected property interest.

If, however, Congress has legitimately created a property interest pursuant to its Article I powers, as it has done by authorizing the grant of patents pursuant to the Patent Clause, U.S. Const. Art. I, § 8, Cl. 8, then that property interest is entitled to constitutional protection under the Due Process Clause of the Fourteenth Amendment, just as is a property right created by state law. And far from being constitutionally evasive in nature, Congress's creation of a patent system to implement the Patent Clause reflects the fact that the very purpose of that Clause was to enable Congress to confer a particular kind of property right on inventors.

2. Permitting Patent-Infringement Suits Against State Entities In Federal Court Appropriately Ensures A Post-Deprivation Remedy For Patent Owners

a. The Need For A Remedy For Patent Infringements By State Entities

This Court has explained that, for a congressional enactment to be "appropriate" legislation to enforce the Fourteenth Amendment, "there must be a congruence between the means used and the ends to be achieved." *City of Boerne*, 521 U.S. at 530. As a threshold matter, it is clear that ensuring adequate protection against unconstitutional deprivations of the property interests secured by a federal patent is a legitimate end for congressional action. The Due Process Clause of the Fourteenth Amendment protects individuals against arbitrary deprivations of their property by the States. See *Goss v. Lopez*, 419 U.S. 565, 572-576 (1975); see also *Hudson v. Palmer*, 468 U.S. 517, 539 (1984) (O'Connor, J., concurring) ("The Due Process and Takings Clauses of the Fifth and Fourteenth Amendments stand directly in opposition to state action intended to deprive people of their legally protected property interests."). Because the right of exclusion conferred by a patent is a classic form of property, the Fourteenth Amendment, by its terms, prohibits state entities from depriving patent holders of that right without due process of law. In the particular case of patent infringement, Congress is entitled to secure that basic Fourteenth Amendment guarantee by ensuring patent owners a fully adequate post-deprivation remedy for infringements committed by state entities.

Congress was aware that patent-infringement disputes between private inventors and state entities had

arisen in the past. "[T]he legislative record of the Patent Remedy Act * * * discloses significant instances of alleged patent infringement by states or state entities."⁴ Congress also had good reason to believe that the danger of state patent infringements would increase in the future.⁵ As the court of appeals pointed out, the legislative background to the Patent Remedy Act showed that state entities "now engage fully in the intellectual property marketplace, even often asserting their own patent rights."⁶ The

⁴ Pet. App. 21a; see also *Jacobs Wind Elec. Co. v. Florida Dep't of Transp.*, 919 F.2d 726, 727-729 (Fed. Cir. 1990); *Chew v. California*, 893 F.2d 331, 332-333, 336 (Fed. Cir.), cert. denied, 498 U.S. 810 (1990); *Watts v. University of Del.*, 622 F.2d 47, 48-53 (3d Cir. 1980); *Kersavage v. University of Tenn.*, 731 F. Supp. 1327, 1328-1330 (E.D. Tenn. 1989); *Lemelson v. Ampez Corp.*, 372 F. Supp. 708, 710-712 (N.D. Ill. 1974); *Hercules Inc. v. Minnesota State Highway Dep't*, 337 F. Supp. 795, 796-798 (D. Minn. 1972); *Kraft Foods Co. v. Walther Dairy Prods.*, 118 F. Supp. 1, 2-3 (W.D. Wis. 1954), aff'd, 234 F.2d 279 (7th Cir.), cert. denied, 352 U.S. 926 (1956); *William C. Popper & Co. v. Pennsylvania Liquor Control Bd.*, 16 F. Supp. 762, 762-763 (E.D. Pa. 1936); *Automobile Abstract & Title Co. v. Haggerty*, 46 F.2d 86, 86-88 (E.D. Mich. 1931); *Warren Bros. Co. v. Kibbe*, 43 F.2d 582, 583-584 (D. Or. 1925).

⁵ Pet. App. 22a; see H.R. Rep. No. 960, 101st Cong., 2d Sess., Pt. 1, at 38 (1990); *Patent Remedy Clarification Act: Hearing on H.R. 3886 Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary*, 101st Cong., 2d Sess. 36 (1990) (*House Hearing*) (statement of Robert P. Merges, Associate Professor of Law, Boston University School of Law) ("the cases where sovereign immunity could be a defense are very likely to grow in number").

⁶ Pet. App. 25a; see also *Genentech, Inc. v. Regents of the Univ. of Cal.*, 143 F.3d 1446, 1454 n.6 (Fed. Cir. 1998) (noting press report that in 1994 the University of California "received \$50.2 million in royalties, filed 389 patent applications, and received 126 patents"), petition for cert. pending, No. 98-731; Eyal H. Barash,

legislative history of the Patent Remedy Act also reflects Congress's recognition that, "as commercialization of basic research continues, particularly in the biotechnology field, state universities are becoming increasingly more active in the commerce of intellectual property." Pet. App. 22a; see also 137 Cong. Rec. 7330 (1991) (statement of Sen. DeConcini) ("As State universities and State regulatory agencies enter the race to commercialize scientific discoveries, the cases in which the sovereign immunity defense is asserted will grow in number."); H.R. Rep. No. 960, 101st Cong., 2d Sess., Pt. 1, at 38 (1990).⁷

Comment, *Experimental Uses, Patents, and Scientific Progress*, 91 Nw. U. L. Rev. 667, 697-698 (1997) (noting increased number of patent filings by universities); Rebecca S. Eisenberg, *Public Research and Private Development: Patents and Technology Transfer in Government-Sponsored Research*, 82 Va. L. Rev. 1663, 1708, 1726 (1996) (indicating that universities are obtaining an increasing number of patents); Gina A. Kuhlman, Comment, *Alliances for the Future: Cultivating a Cooperative Environment for Biotech Success*, 11 Berkeley Tech. L. J. 311, 345-346 (1996) (same); Tammy L. Lewis and Lisa A. Vincler, *Storming the Ivory Tower: The Competing Interests of the Public's Right to Know and Protecting the Integrity of University Research*, 20 J.C. & U.L. 417, 430 n. 59 (1994) ("In total, American universities were issued 1,346 patents in 1991, an increase of 117% from the 619 issued in 1986."). The States therefore receive considerable benefits from the federal patent system, including of course the right to sue infringers in federal court.

⁷ Indeed, federal patent law authorizes the issuance of patents for "anything under the sun that is made by man." *Diamond v. Diehr*, 450 U.S. 175, 182 (1981) (internal quotation marks omitted); *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). As technology has expanded, patents have been issued in increasingly varied contexts, encompassing such matters as biotechnology processes in which both state and private entities are increasingly involved, see

Thus, Congress foresaw a near future in which state entities, seeking advantage from the developing lucrative market in technology and intellectual property, might be increasingly tempted to infringe private inventors' patents, and it perceived a need to protect patent owners from such infringement by ensuring them an adequate remedy. Even if (as petitioner contends, Pet. Br. 20-21) Congress did not have evidence of egregious and constant patent infringement by state entities in the past, Congress is nonetheless entitled to conclude that legislation is warranted for the future to protect the federal property rights conferred under the patent laws. See S. Rep. No. 280, 102d Cong., 2d Sess. 8 (1992) (J.A. 20a). Congress was not required to wait until the evidence showed that patent infringement by state entities had already reached emergency levels.

Nor was it necessary for Congress to compile a record similar to that required of an administrative agency in order to validate its determination that a remedy for patent infringement by state entities is needed. See *FCC v. Beach Communications, Inc.*, 508 U.S. 307, 315 (1993). As long as the Court can "perceive[] a factual basis on which Congress could have concluded" that there had been unconstitutional deprivations of property interests in patents in the past, or that there were likely to be such violations in the future, requiring a remedy, then the Patent Remedy Act is valid Section 5 legislation, so long as Congress did not exceed its discretion in selecting a remedy to redress the harm. See *City of Boerne*, 521 U.S. at 528 (discussing *Morgan*, *supra*). In this case, the evidence of past and potential patent infringement by state

Genentech, *supra* (dispute over state university's patent relating to production of human growth hormone).

entities requiring a remedy is surely not so ethereal as to permit rejection of Congress's ultimate determination that such infringement presents a significant problem. Cf. *Board of Educ. v. Mergens*, 496 U.S. 226, 251 (1990) ("we do not lightly second-guess such legislative judgments, particularly where the judgments are based in part on empirical determinations"); *Turner Broad. Sys., Inc. v. FCC*, 520 U.S. 180, 195-196 (1997) (emphasizing superiority of legislative bodies in making predictive judgments).

b. The Questionable Adequacy Of Other Remedies

The Patent Remedy Act secures the protections of the Due Process Clause by ensuring that, if a State deprives a patent owner of his property interests secured by a patent, adequate post-deprivation remedies will be available to vindicate those interests.⁸ Petitioner contends (Pet. Br. 26-30), however, that the Patent Remedy Act was unnecessary because the States have provided adequate remedies for patent infringements in their own courts. In particular, it contends that, pursuant to the Just Compensation Clause of the Fifth Amendment (as applied to the States through the Fourteenth Amendment, see *Keystone Bituminous Coal Ass'n v. DeBenedictis*, 480 U.S. 470, 481 n.10 (1987)), the States are subject to suit in their own courts for compensation for a taking of a property interest secured by a federal patent. It also argues that many States are also subject to suit in state

⁸ See S. Rep. No. 280, *supra*, at 8 (J.A. 20a); see also H.R. Rep. No. 960, *supra*, at 40 & n.172; see also *House Hearing* at 113 (Letter to Hon. Robert W. Kastenmeier from Glenn Harlan Reynolds, Associate Professor of Law, University of Tennessee, Knoxville).

courts under state-law tort theories such as conversion. For several reasons, however, Congress properly declined to remit patent holders to such possible remedies.

(i) The Inappropriateness Of Requiring Resort To Remedies For "Takings"

Although States are constitutionally compelled to furnish compensation when they take property for public use,⁹ it remains uncertain how the Just Compensation Clause might apply to claims that the infringement of a patent by a State constitutes a taking. In the first place, it is highly doubtful that it is appropriate to view a state entity's infringement of a patent through the lens of "taking" law at all. Because a patent is an exclusive franchise granted to the patentee by the federal government, the Supremacy Clause, U.S. Const. Art. VI, Cl. 2, prevents a State from exercising its power of eminent domain over a patent. Cf. *Gibbons v. Ogden*, 22 U.S. (9 Wheat.) 1, 209-214 (1824) (States cannot impair federal license to engage in coasting trade).¹⁰

⁹ A State's obligation to provide compensation when it takes property for public use is dictated by the Constitution itself; accordingly, a separate waiver of state sovereign immunity is not required for a court to award compensation against a State on a taking claim. See *First English Evangelical Lutheran Church v. County of Los Angeles*, 482 U.S. 304, 316 n.9 (1987).

¹⁰ Similar concerns are not raised by the federal government's use of an invention for which a patent has been issued. Obviously, the Supremacy Clause does not speak to such a situation, since the patent is issued by the same sovereign. Moreover, as we explain more fully below, Congress has not granted patent owners a property right to exclude the federal government from use of their patents. Rather, it has accorded them a statutory right of compensation for such use by the federal government. See pp. 46-47, *infra*.

Since a State is not authorized to "take" a patent for public use at all, there is considerable doubt whether the courts should apply the concept of a taking to claims of patent infringement by a State. Rather, claims of patent infringement find a more natural home in the Due Process Clause's protection against arbitrary "depriv[ation]" of property. And as the Court has recognized, the government can deprive one of property without due process even when it cannot be said to engage in a "taking." See *Eastern Enters. v. Apfel*, 118 S. Ct. 2131, 2154-2160 (1998) (Kennedy, J., concurring in the judgment and dissenting in part) (distinguishing between takings of property and deprivations of property); *id.* at 2161-2163 (Breyer, J., dissenting) (similar).

Moreover, even if taking law were at all applicable, Congress had substantial reason to doubt whether that jurisprudence might provide adequate assurance to patent owners against infringement by state entities. The Court's modern taking analysis has recognized two general kinds of takings that require compensation by the State: per se takings and regulatory takings. See *Yee v. City of Escondido*, 503 U.S. 519, 526-532, 533-538 (1992). This Court has not held, however, that the impairment of a property interest in a patent through the unauthorized use of the invention amounts to a per se taking. To the contrary, this Court has generally found a per se taking only when the governmental action extinguishes the right to occupy or to productively use real property. See *id.* at 530-531.¹¹ Con-

¹¹ This Court long ago indicated in dictum that the federal government's infringement of a patent constitutes a taking of property. See *United States v. Palmer*, 128 U.S. 262, 270-271 (1888); *Hollister v. Benedict & Burnham Mfg. Co.*, 113 U.S. 59, 67-68

gress could therefore have concluded that it is not clear whether state action such as infringement of a patent by the State, which arguably diminishes the economic value of a patent but does not extinguish that value entirely (because the patent owner retains the right to exclude private parties from use of the invention), amounts to a per se taking. Compare *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419 (1982), with *United States v. Sperry Corp.*, 493 U.S. 52, 62 n.9 (1989), and *Keystone Bituminous Coal Ass'n*, 480 U.S. at 488-489 n.18.

The Court recently evaluated a taking claim involving intellectual property under the analysis that governs regulatory takings. See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1004-1014 (1984) (government disclosure of trade secrets). Many alleged patent infringements by state entities, however, may occur without a similar nexus to the conduct of governmental regulatory activities that existed in that case. Regulatory-taking analysis, moreover, is not governed by "any set formula," but is dependent "on ad hoc, factual inquiries into the circumstances of each particular

(1885); *James v. Campbell*, 104 U.S. 356 (1881); see also Thomas F. Cotter, *Do Federal Uses of Intellectual Property Implicate the Fifth Amendment?*, 50 Fla. L. Rev. 529, 541-544 (1998). Those opinions were issued long before the development of the Court's modern regulatory-taking jurisprudence, however, and as we explain in the text, the Court has more recently indicated that the ad hoc approach applicable to regulatory takings should be applied to taking claims involving intellectual property. See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1004-1014 (1984). Moreover, after the Court decided *Palmer*, *Hollister*, and *Campbell*, Congress made clear that the federal government is not subject to the restrictions of the patent code that apply to States and private parties. See 28 U.S.C. 1498; *De Graffenried v. United States*, 29 Fed. Cl. 384, 387-388 (1993).

case." *Connolly v. Pension Benefit Guar. Corp.*, 475 U.S. 211, 224 (1986); *Kaiser Aetna*, 444 U.S. at 175. Indeed, this Court has denied compensation under the regulatory-taking analysis even when the value of the property interest was dramatically diminished by the challenged governmental action. See, e.g., *Concrete Pipe & Prods. of Cal., Inc. v. Construction Laborers Pension Trust*, 508 U.S. 602, 645 (1993) ("our cases have long established that mere diminution in the value of property, however serious, is insufficient to demonstrate a taking"). Congress could reasonably conclude that, to ensure adequate incentives for inventions and for investment to deploy those inventions in the commercial world, patent owners need a more certain expectation of compensation than that afforded by regulatory-taking doctrine.

Moreover, even if one assumes that a state entity's infringement of a patent could satisfactorily be analyzed under taking law, Congress might well have found it doubtful that the remedies that state courts would provide under standard taking law would be sufficient to protect the property interest that Congress has created in a patent. A patent provides the right, not just to obtain compensation for licensed use, but to exclude others entirely from use of the invention. See *American Securit Co. v. Shatterproof Glass Corp.*, 268 F.2d 769, 776 (3d Cir.), cert. denied, 361 U.S. 902 (1959); *Sylvania Indus. Corp. v. Visking Corp.*, 132 F.2d 947, 958 (4th Cir.), cert. dismissed, 319 U.S. 777 (1943); see also *Continental Paper Bag*, 210 U.S. at 429-430 (patent owner is entitled to injunction against use by others of his invention, even if he does not use it himself). Accordingly, an important remedy for a patent infringement is an injunction against future unauthorized use. See 35 U.S.C. 283. Typically, how-

ever, the remedy of an injunction is not available in taking cases. See *Monsanto*, 467 U.S. at 1016; cf. *Eastern Enters.*, 118 S. Ct. at 2145 (plurality opinion) (discussing limited circumstances in which injunction might be available in taking cases).

A patent owner could sue an officer of a state entity engaging in infringement in federal court for an injunction against future infringement under the doctrine of *Ex parte Young*, 209 U.S. 123 (1908), while also suing the State in state court for compensation for past infringement. See also 35 U.S.C. 271(h) (providing that any state officer shall be subject to the provisions of the patent code). That approach would, however, create serious inefficiencies by requiring the patent owner to pursue two separate litigation remedies, and would also present the risk of inconsistent judgments in the two courts.

In addition, this Court has held that the proper compensation for a temporary taking of real property constitutes its rental value during the time of the taking, not compensatory damages to the private enterprise caused by the taking of the property. See *Kimball Laundry Co. v. United States*, 338 U.S. 1, 6-7 (1949); *United States v. General Motors Corp.*, 323 U.S. 373, 379 (1945). Congress could reasonably conclude that, in some circumstances, an analogous taking remedy for intellectual property that might be applied by state courts, such as a royalty, would fail adequately to compensate the patent owner for his economic loss caused by state infringement. That possibility might provide insufficient assurance to those who would finance inventions and their commercial applications,

and thus would dampen the patent system's function in encouraging advances in scientific knowledge.¹²

The Court need not resolve in this case whether an infringing use of an invention by a state entity amounts to either a per se or regulatory taking, or what remedy would be available for such a taking. Our point is that, given the uncertainty that Congress could reasonably perceive about the application of taking law to patents and questions about the adequacy of taking remedies in this context, it was reasonable for Congress to conclude that patent owners should not be remitted to pursuing just-compensation remedies for takings of private property. Congress has instead found it appropriate to provide a certain and predictable statutory remedy under standard and generally applicable patent-infringement law developed by the federal courts.

(ii) *The Inadequacy Of State-Law Tort Remedies*

Petitioner also contends that patent owners may pursue remedies against patent infringement by the States through whatever tort remedies that a State might make available in its own courts. The fact that some States have waived their sovereign immunity from suit for certain state-law torts does not ensure, however, that adequate remedies will be available for such patent infringement. Two States (Arkansas and West Virginia) have not waived their sovereign immu-

¹² Indeed, Congress has provided that the *minimum* measure of damages in a patent-infringement case is a reasonable royalty. 35 U.S.C. 284; see also *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1109 (Fed. Cir. 1996) (observing that royalty may not be sufficient measure of damages when patent owner would not willingly license his invention, and that damages in excess of royalty may be necessary to deter infringement), cert. denied, 520 U.S. 1115 (1997).

nity at all, other States have not waived their sovereign immunity from tort actions, and still other States have imposed significant limitations on their waivers of immunity from tort actions, including limitations that would likely prevent the successful prosecution of patent-infringement suits. See *Amici Curiae States of Ohio, et al.*, Br. App. A-4 to A-14; see also *Conrod v. Missouri State Highway Patrol*, 810 S.W.2d 614, 617-618 (Mo. Ct. App. 1991) (holding that sovereign immunity bars state-law conversion claim against state entity); *Townsend v. State*, 871 P.2d 958, 959-960 (N.M. 1994) (same). Even as to States (including Florida) that have waived their immunity from suit for conversion and other similar tort actions, it is by no means clear that state courts would construe their tort law to encompass claims for patent infringement.¹³

Nor was Congress compelled to take a State-by-State approach, under which the permissibility of a remedy in

¹³ For example, *Jacobs Wind Electric Co. v. Department of Transportation*, 626 So.2d 1333 (Fla. 1993), on which petitioner relies (Pet. Br. 27-28), does not confirm the existence of a reliable remedy for deprivations of property resulting from patent infringement by the State of Florida. In *Jacobs Wind*, the Supreme Court of Florida held only that the state courts had subject-matter jurisdiction to consider state-law claims relating to patent infringement, and that state-law taking and conversion claims were not preempted by the federal patent laws. See 626 So. 2d at 1335-1337 & n.7. The court did not determine whether or to what extent a claim of patent infringement would state a claim under state law, or what relief would be available in such a case. Thus, the court observed that patents are a form of property and that the constitutions of both Florida and the United States prohibit the State from "taking" property without just compensation, *id.* at 1337, but it did not hold that the State's infringement of a patent does in fact constitute a "taking" within the meaning of the state or federal constitutions.

federal court would depend on the adequacy of any particular State's post-deprivation remedy in its own courts. Such an approach could lead to protracted and unseemly litigation, in which the federal courts would be called upon to evaluate the adequacy and good faith of whatever post-deprivation remedy a State had made available in its own courts. And should the federal court's evaluation of the state-court remedies turn out to be inaccurate, such an approach could lead to patent-infringement claims being shuttled back and forth between court systems. Rather, Congress is entitled to conclude that a nationally uniform remedy in the federal system is needed for patent-infringement cases against state entities. Cf. *Oregon v. Mitchell*, 400 U.S. 112, 133-134 (1970) (opinion of Black, J.) (upholding nationwide extension of literacy test ban because Congress reasonably concluded that a national solution was necessary); *id.* at 216 (Harlan, J., concurring in part and dissenting in part) ("Whether to engage in a more particularized inquiry * * * was a choice for Congress to make.").

(iii) *The Need For A Post-Deprivation, Rather Than Pre-Deprivation, Procedure*

Congress could also have perceived that a post-deprivation remedy of damages is necessary because it would be impracticable in this context for States to provide a pre-deprivation opportunity for a patent owner to challenge the anticipated action of the state entity that might constitute an infringement of the patent. Cf. *Zinerman v. Burch*, 494 U.S. 113, 127-130 (1990) (noting that, although the Due Process Clause generally requires a pre-deprivation opportunity to challenge the State's proposed deprivation of property, a post-deprivation remedy may be appropriate when

pre-deprivation process is impractical); *Hudson v. Palmer*, 468 U.S. at 533 (similar). It is unrealistic to expect that state entities will provide notice to patent owners before infringing their patents through unauthorized use. By hypothesis, the infringing state entity stands in competition with the patent owner and therefore has no incentive to notify the owner of a contemplated infringing use. See *ibid.* (noting that "one bent on intentionally depriving a person of his property might well take affirmative steps to avoid signalling his intent"). A post-deprivation remedy, therefore, is essential to secure patent owners' property rights against deprivation by state entities.

c. *The Compelling And Historical Federal Interests In Uniformity And Private Enforcement Of Patent-Infringement Cases*

In determining that it is "appropriate" to subject state entities to suit in federal court for patent infringement, it was also reasonable for Congress to take into account the particularly compelling federal interest in the development of a uniform and consistent patent law. In the first place, patents are unusual in the law because, in the absence of exclusive jurisdiction in one court system to consider claims involving such intellectual property, there would be a significant potential for inconsistent adjudication of the patent owner's right to exclude others. Assume, for example, that a patent owner contends that his patent has been infringed by both a state entity and a private enterprise. If the owner were required to pursue remedies against the two alleged infringers in two different court systems, those courts might render inconsistent decisions as to whether the patent was valid, or whether similar activity constituted infringe-

ment. Congress could reasonably have deemed it appropriate to minimize the uncertainties that would result for both patent holders and potential infringers by requiring adjudication of patent-infringement claims in a single court system.

It is also well understood that patent cases are "unusually complex, technically difficult, and time-consuming." H.R. Rep. No. 312, 97th Cong., 1st Sess. 22 (1981). In recognition of the difficulties of developing patent law, Judge Friendly observed more than 25 years ago that there are "a great number of patents in the higher reaches of electronics, chemistry, biochemistry, pharmacology, optics, harmonics and nuclear physics," and that such patents "are quite beyond the ability of the usual judge to understand without the expenditure of an inordinate amount of educational effort by counsel and of attempted self-education by the judge, and in many instances, even with it." Henry J. Friendly, *Federal Jurisdiction: A General View* 157 (1973). Those observations are no doubt yet more true today, after transformative developments in areas such as computer technology and biotechnology.

Because of the difficulties of developing uniform and consistent patent law, Congress has historically insisted that patent-infringement cases should be decided only in the federal courts. This Court has explained that, "[s]ince the Patent Act of 1800, Congress has lodged exclusive jurisdiction of actions 'arising under' the patent laws in the federal courts, thus allowing for the development of a uniform body of law in resolving the constant tension between private right and public access." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989). That channeling of all patent cases into the federal courts reflects no disparagement of the general abilities of state courts;

rather, it reflects Congress's realistic recognition that patent law requires an unusual degree of uniformity and consistency. That interest in uniformity and consistency is rooted in the Patent Clause itself, for "[o]ne of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution was to promote national uniformity in the realm of intellectual property." *Id.* at 162 (citing *The Federalist* No. 43, at 309 (J. Madison) (B. Wright ed., 1961)).

Congress has acted further to promote uniformity and consistency in this complex area by vesting the United States Court of Appeals for the Federal Circuit with exclusive jurisdiction over all appeals in cases arising under the patent laws. This further channeling of all patent cases into a single court of appeals reflects Congress's determination that a court in a position to apply uniform standards is needed for all patent cases, and its dissatisfaction with the disuniform results under the previous system, in which patent cases were appealed from the district courts to the regional courts of appeals. See S. Rep. No. 275, 97th Cong., 1st Sess. 6 (1982); H.R. Rep. No. 312, *supra*, at 20-23; see also *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 813 (1988). Indeed, the fact that Congress in 1982 concluded that all patent appeals must be heard by the Federal Circuit, even after the regional courts of appeals had had decades of experience with patent cases, suggests that the need for uniformity and consistency in patent decisions has increased over time. See S. Rep. No. 275, *supra*, at 5 (observing that "the patent bar indicated that uncertainty created by the lack of national law precedent was a significant problem," the Hruska Commission on Revision of the Federal Court Appellate System had identified "patent law as an area in which widespread forum-shopping is

particularly acute," and other witnesses had "confirmed the findings of the Hruska Commission that patent cases are inconsistently adjudicated").

The federal interest in accurate and uniform resolution of patent law could be seriously undermined if patent-infringement cases against state entities were required to be heard in state courts. The substantial benefits of the jurisprudential consistency developed by the federal courts, including the Federal Circuit, could be lost in a significant number of cases if Congress were required to leave the enforcement of patent rights against state entities to state courts. Although state courts might choose to follow patent-law decisions of the Federal Circuit, there would no requirement that they do so, and (as noted above) a patent owner might be faced with conflicting decisions from the federal courts and the state courts as to its rights, including the validity of the patent. A state court might also conclude that a particular course of action by a state entity did not constitute infringement of a patent (and thus might decline to award compensation to the patent owner), even though the Federal Circuit might conclude that a similar course of action by a private entity did infringe the same patent.

Of course, review by this Court would remain available to resolve important legal questions about the patent code, but the availability of that review would not necessarily ensure that conflicting decisions between state and federal courts about rights in a *particular* patent would be fully resolved, because this Court ordinarily does not grant review in cases that involve the application of a settled legal standard to a particular set of facts. See Sup. Ct. R. 10 ("A petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or

the misapplication of a properly stated rule of law."). Given the risk of error inherent in resolving the complex issues arising out of patent infringement, it is reasonable for Congress to ensure that patent owners who fall victim to infringement by state entities (as well as private entities) are able to protect their property interests by obtaining uniform and comprehensive relief in the federal courts. See S. Rep. No. 275, *supra*, at 6 (concluding that vesting the Federal Circuit with exclusive jurisdiction over patent cases was warranted because "it is important to those who must make the necessary investment decisions that we decrease unnecessary uncertainties in the patent system").¹⁴

In theory, if the federal courts were not open to claims of patent infringement brought by private patent owners against state entities, the federal gov-

¹⁴ The determination by Congress that all patent-infringement cases, including cases against state entities, should proceed in federal court also gives appropriate weight to the constitutional principle that the kind of process that is "due" in a particular situation turns in part on "the risk of an erroneous deprivation of" the property interest at issue. *Mathews v. Eldridge*, 424 U.S. 319, 335 (1976); see also *Greenholtz v. Inmates of Neb. Penal & Correctional Complex*, 442 U.S. 1, 13 (1979); *Carey v. Piphus*, 435 U.S. 247, 259 (1978). Congress has reasonably concluded that the risk of error in patent-infringement cases (which may have serious consequences for the national economy) is substantial, and is significantly diminished by the development of a uniform and predictable body of patent law. That is true no less of patent-infringement claims brought against state entities. It is noteworthy in this context that the transfer of exclusive jurisdiction over patent appeals to the Federal Circuit appears to have resulted in more uniform interpretations of the patent laws, as Congress intended. See Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. Rev. 1, 14-20, 24 (1989).

ernment could bring suit against infringing States in federal court. See *Seminole Tribe*, 517 U.S. at 71 n.14. Congress, however, has historically not provided statutory authorization for suit by the United States to enforce private patent rights (including a right to compensation against an infringer). Moreover, an approach relying on the federal government's enforcement of patent rights would not be realistically likely to provide the complete protection to private patent owners against infringement by state entities that Congress has found to be necessary for a proper functioning of the patent system.

The patent code as it has existed since 1790 operates on the assumption that a patent owner is in the best position to assert his own rights against infringers. A patent owner knows best the technology underlying his invention and also has the greatest incentive to monitor competitors to determine whether they are infringing his patent. It is highly questionable whether the federal government could adequately fulfill the function of patent enforcer, given resource constraints, the complexity of many patented inventions, and concerns that would likely be raised about the federal government's taking sides in private commercial disputes and making determinations as to which patents deserved enforcement and which did not. The federal government would also become involved in settlement and licensing issues traditionally left to private negotiation (including situations in which the government might have conflicting interests). Thus, while the federal government in other contexts may bring actions against state entities to vindicate the public interest in adherence to federal law as well as to compensate injured private parties, that prosecutorial role for the federal government has historically been absent from the patent code.

3. Congress Need Not Limit The Federal Courts' Jurisdiction Over Patent-Infringement Suits Against State Entities To Cases In Which Intent Is Proven

Petitioner observes that this Court has held that a "deprivation" of property within the meaning of the Due Process Clause occurs "only where the state acts intentionally." Pet. Br. 25 n.10 (citing *Daniels v. Williams*, 474 U.S. 327, 331 (1986)). Petitioner therefore argues that Congress lacks authority under Section 5 of the Fourteenth Amendment to subject States to suit in federal court for patent infringement in cases that do not involve intentional patent infringement by the State. But as we have explained (pp. 15-16, *supra*), the Court has made clear that Congress is entitled to exercise its powers to enforce the protections of the Fourteenth Amendment in a measured manner, even if its enforcement legislation extends beyond the substantive reach of the Amendment.¹⁶ Even if it is true,

¹⁶ See *City of Rome*, 446 U.S. at 177-178, 181-182 (reaffirming validity of the preclearance requirement of Section 5 of the Voting Rights Act of 1965, 42 U.S.C. 1973c, as well as that statute's reach to bar voting changes with a retrogressive effect but no discriminatory intent, because of the "risk of purposeful discrimination" in enactment of new voting laws by covered jurisdictions); *City of Boerne*, 521 U.S. at 532 (explaining that "[p]reventive measures prohibiting certain types of laws may be appropriate when there is reason to believe that many of the laws affected by the congressional enactment have a significant likelihood of being unconstitutional"). Intentional infringement is not, in practice, confined to conduct undertaken in bad faith; it can also proceed from a good faith belief that the patent (typically issued in ex parte examination process) is invalid and can be proved to be invalid in defending an infringement suit. Intentional infringement thus can serve a legitimate public purpose of eliminating invalid constraints on competition. See *Lear, Inc. v. Adkins*, 395 U.S. 653, 669-674 (1969).

therefore, that only intentional patent infringement would violate the Due Process Clause,¹⁶ Congress could still legislate more broadly to provide "appropriate" deterrence and remedies for state deprivations of property interests in patents.

As petitioner observes, patent infringement does not require intent to infringe. And it is not disputed that Congress may, pursuant to the Patent Clause, properly regulate the primary conduct of state entities (and others) by fashioning a substantive rule of patent infringement that does not include such an element of intent. The only question in this case is when is it appropriate for Congress to provide the federal courts with jurisdiction to provide a remedy based on such regulation. Given that Congress's substantive regulation in that manner is constitutionally unobjectionable, it is "appropriate" for Congress to dispense with an intent requirement as a condition to the exercise of federal jurisdiction over patent-infringement cases. If, instead, the federal courts' authority to hear patent-infringement suits against state entities were to be

¹⁶ In fact, although the Court has held that a negligent act arising out of a lack of due care by state employees in contravention of state-law tort standards does not implicate the Due Process Clause, see *Daniels*, 474 U.S. at 335-336, the Court has not held that a state entity's deprivation of an individual's property, undertaken pursuant to state-law authorization, may violate the Due Process Clause only if the state entity acts with the purpose to deprive an individual of his property. The decision in *Daniels* was based on the need to avoid "trivializ[ing] the Due Process Clause," *id.* at 335, by making it "a font of tort law to be superimposed upon whatever systems may already be administered by the States," *id.* at 332 (internal quotation marks omitted). That concern is not implicated where, as here, a state entity is sued under a federal statute for infringing a property interest that is rooted in federal rather than state law.

limited to cases in which the patent owner alleged and proved intent, the likely result would be serious inefficiencies in the resolution of patent-infringement cases in federal court against state entities. Because intent is easily alleged, patent owners would in all probability frequently claim intent in complaints against state entities. The courts, consequently, could not resolve jurisdictional questions in such cases on the pleadings. And since it is often the case that questions of intent cannot be resolved on summary judgment,¹⁷ the federal courts would likely be required in many cases to hold a trial on the question of intent (which would undoubtedly involve litigation over the substantive patent issues in the case) merely as a predicate to asserting jurisdiction over the case.¹⁸

In sum, a rule under which federal jurisdiction would turn on proof of intent runs counter to the salutary principle that "[t]he boundary between judicial power and nullity should . . . , if possible, be a bright line,

¹⁷ See *Harlow v. Fitzgerald*, 457 U.S. 800, 815-817 (1982); *Hutchinson v. Proxmire*, 443 U.S. 111, 120 n.9 (1979); see also *Hardin v. Pitney-Bowes, Inc.*, 451 U.S. 1008 (1981) (Rehnquist, J., dissenting) ("It has long been established that it is inappropriate to resolve issues of credibility, motive, and intent on motions for summary judgment.").

¹⁸ In this case, CSB has alleged that petitioner knowingly and willfully infringed its patent. See C.A. App. 101 (Compl. ¶ 7) ("Defendant Florida Prepaid with actual knowledge of the '055 patent, with knowledge of its infringement, and without lawful justification, has willfully infringed the '055 patent."). Those alleged facts are clearly sufficient to state a "deprivation" of a property interest within the meaning of the Due Process Clause, under any standard. Petitioner's rule would permit the federal district court to assert jurisdiction over the complaint at the pleading stage but would require the court to dismiss for lack of jurisdiction if CSB failed to prove intent at trial.

* * * [and that] a trial judge ought to be able to tell easily and fast what belongs in his court and what has no business there." *Sisson v. Ruby*, 497 U.S. 358, 375 (1990) (Scalia, J., concurring in judgment) (quoting Z. Chafee, *The Thomas M. Cooley Lectures: Some Problems Of Equity* 312 (1950)). It is therefore "appropriate" for Congress to provide a judicial remedy for patent infringement by state entities that does not require proof of intentional infringement—especially in light of the fact that there is often no need for the court and parties to address questions of intent in order to resolve the merits of infringement claims.

C. *City of Boerne v. Flores* Does Not Call Into Question Congress's Authority To Make State Entities Amenable To Suit In Federal Court For Patent Infringement.

Petitioner contends (Pet. Br. 21-23, 32-33) that *City of Boerne*, *supra*, calls into question Congress's authority to subject States to suit for patent infringement under Section 5 of the Fourteenth Amendment. The concerns that animated the Court's decision in *City of Boerne*, however, are far afield from this case. *City of Boerne* held that the Religious Freedom Restoration Act of 1993 (RFRA), 42 U.S.C. 2000bb *et seq.*, exceeded Congress's authority under Section 5, insofar as it was made applicable to the States. RFRA was enacted "in direct response to" the Court's decision in *Employment Division, Department of Human Resources v. Smith*, 494 U.S. 872 (1990), which construed the Free Exercise Clause of the First Amendment to hold that "neutral, generally applicable laws may be applied to religious practices even when not supported by a compelling governmental interest." *City of Boerne*, 521 U.S. at 512, 514. RFRA prohibited the States from "substan-

tially burden[ing]" a person's exercise of religion even if the burden resulted from a rule of general applicability, unless the State could show that the burden "(1) [was] in furtherance of a compelling governmental interest; and (2) [was] the least restrictive means of furthering that compelling governmental interest." 42 U.S.C. 2000bb-1. The Act applied by its terms to all States and all their subdivisions, 42 U.S.C. 2000bb-2(1), and covered "all * * * State law, and the implementation of that law, whether statutory or otherwise, and whether adopted before or after [RFRA's enactment]." 42 U.S.C. 2000bb-3(a).

In *City of Boerne*, the Court rejected the argument that RFRA was "appropriate" legislation under Section 5 to deter or remedy violations of the Free Exercise Clause. The Court emphasized that RFRA's "[s]weeping coverage ensures its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter." 521 U.S. at 532. The Court also stressed that, by requiring heightened scrutiny of state action touching on religious exercise, RFRA effected "a considerable congressional intrusion into the States' traditional prerogatives and general authority to regulate for the health and welfare of their citizens." *Id.* at 534. The Court therefore ruled that "RFRA is so out of proportion to a supposed remedial or preventive object that it cannot be understood as responsive to, or designed to prevent, unconstitutional behavior." *Id.* at 532.

Making state entities amenable to suit for patent infringement in federal court, by contrast, is a measured means of enforcing the Due Process Clause. It bears emphasis that the Patent Remedy Act does not prevent the States from engaging in any *legitimate*

regulatory function on behalf of their citizens, or in any other primary conduct constitutionally reserved to the States. To the contrary, the Patent Remedy Act "speaks only to a state's *unauthorized* [by federal law] production, use, or sale of a patented device or method." Pet. App. 24a (emphasis added); see also *Chavez v. Arte Publico Press*, 157 F.3d 282, 297 (5th Cir. 1998) (Wisdom, J., dissenting) (making similar observation with respect to state infringements of copyrights), reh'g en banc granted, No. 93-2881 (Oct. 1, 1998). It is not disputed that Congress may exercise its substantive powers under the Patent Clause to prohibit state entities, as well as others, from infringing a federal patent. State entities therefore have no legitimate interest in engaging in such unlawful conduct, and so it is entirely "appropriate," within the meaning of Section 5, for Congress to provide a remedy for such patent infringement by a state entity.¹⁹

Petitioner objects particularly to the provisions of the patent laws that permit the award of treble damages and attorney's fees against those adjudicated to have infringed a patent.²⁰ Such increased damages

¹⁹ Indeed, state entities themselves are substantial participants in the patent system and are allowed to reap the resulting commercial benefits. See, e.g., *Genentech*, 143 F.3d at 1454. The Patent and Trademark Office has informed us that at least 572 patents have been issued to Florida's public universities alone, and that all 50 States own or have obtained patents. The States accordingly have a strong interest in ensuring the effectiveness of the patent system, and that interest is furthered by enforcing the remedial provisions of the patent laws against both state and private infringers.

²⁰ Congress has authorized the permissive award of treble damages in patent cases since at least 1836. See Act of July 4, 1836, ch. 357, § 14, 5 Stat. 123.

awards, however, are unusual even in the context of patent suits against private entities. Damages may be increased only in cases of willful infringement (a category of cases within the core of Congress's Section 5 enforcement authority), and the district courts have discretion to deny such relief even in those cases. See 35 U.S.C. 284; *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1464-1465 (Fed. Cir. 1997).²¹ "The standard for receiving treble damages in a patent suit is very difficult to attain," and such awards are made only in "the most flagrant cases." S. Rep. No. 280, *supra*, at 10 (J.A. 24a, 25a). Courts could, moreover, take into account the sovereign interests of the State (as well as any public function performed by the state activity found to have constituted an infringement) in deciding whether to provide such extraordinary relief against an infringing state entity.

Courts also do not routinely award attorney's fees against infringers. The patent code authorizes the award only of "reasonable" attorney's fees and even

²¹ "Willful" infringement, such as might warrant a discretionary award of increased damages, is not the same thing as intentional infringement. Among other things, if a court determines that a party held to have infringed a patent acted out of a good-faith belief that the patent was invalid, it may properly decline to award increased damages against the infringer, even if the infringement was intentional. See *Oscar Mayer Foods Corp. v. ConAgra, Inc.*, 869 F. Supp. 656, 667 (W.D. Wis.) (declining to award increased damages because defendant had "a good faith belief in the invalidity defense"), *aff'd*, 45 F.3d 443 (Fed. Cir. 1994), *cert. denied*, 516 U.S. 812 (1995); see generally *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986) (setting forth "totality of the circumstances" test for willful infringement, which considers, among other things, whether infringer formed a good-faith belief of invalidity), overruled on other grounds, *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992).

then only in "exceptional cases." 35 U.S.C. 285. The prevailing party must demonstrate by clear and convincing evidence that the case is exceptional, and even if such a showing can be made, the district court retains discretion to deny a request for attorney's fees. See, e.g., *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1429 (Fed. Cir. 1997). The mere fact that increased damages and attorney's fees are authorized in exceptional and egregious cases provides no basis for concluding that the standard remedies of compensatory damages and declaratory and injunctive relief are disproportionate remedies for a state entity's infringement of a patent.²²

Petitioner's reliance (Pet. Br. 37) on the unique remedy made available against the United States for its use of a patented invention is also unpersuasive. The property right encompassed by a patent includes the right to exclude private parties and state entities from use of the invention. The patent does not, however, confer on patent owners a similar right to obtain an injunction against the United States from such use. Rather, a patent owner has a statutory right of compensation from the United States for the federal government's use of an invention. 28 U.S.C. 1498; see *W.L. Gore & Assocs. v. Garlock, Inc.*, 842 F.2d 1275, 1283 (Fed. Cir. 1988). *Brunswick Corp. v. United States*, 36

²² This Court need not in any event resolve at this juncture whether the potential availability of attorney's fees or treble damages against state entities creates a particular Eleventh Amendment problem. CSB's patent-infringement claim has not yet been tried, and the district court therefore has had no occasion to determine whether damages should be trebled or whether an award of attorney's fees is warranted (or even whether an infringement has occurred). Thus, it is far from certain that such an award would ever be entered in this case.

Fed. Cl. 204, 207 (1996), *aff'd*, 152 F.3d 946 (Fed. Cir. 1998) (Table); *De Graffenried v. United States*, 29 Fed. Cl. 384, 387-388 (1993). Accordingly, because a patent does not confer on the patent owner a property right to exclude the United States from use, the use of a patented invention by the United States also does not deprive the patent owner of any property right protected by the Due Process Clause.

II. PETITIONER HAS WAIVED ITS ELEVENTH AMENDMENT IMMUNITY

The judgment of the court of appeals also may be affirmed on the alternate ground that petitioner has waived its Eleventh Amendment immunity by voluntarily engaging in the marketing of the investment products that are at issue in this case, at a time when Congress has made unmistakably clear that commercial activity by a state entity that infringes another's patent may cause that state entity to be subject to suit in federal court. As we explain in detail in our brief in *College Savings Bank v. Florida Prepaid Post-secondary Education Expense Board*, No. 98-149, a State voluntarily waives its Eleventh Amendment immunity by engaging in commercial activity if (1) Congress has unequivocally stated that a State that engages in such activity may be subject to suit in federal court for private claims of violation of federal law arising out of that activity, and (2) the activity is of a sort that the State can realistically choose to abandon.²³ The line of cases supporting this rule rests

²³ Although the court of appeals did not address this waiver point, the issue was raised in the courts below and can serve as an alternate basis on which to affirm the judgment below. See, e.g., *Bennett v. Spear*, 520 U.S. 154, 166 (1997).

on the principle that a state entity may engage in a business more traditionally carried on by private enterprise, but when it does so, it may be burdened with the same regulations, remedies, and restrictions imposed on private market participants. See 98-149 U.S. Br. 29-30; see generally *Parden v. Terminal Ry. of the Ala. State Docks Dep't*, 377 U.S. 184, 192, 196 (1964); cf. *United States v. California*, 507 U.S. 746, 757-758 (1993) (noting that even the federal government's rights and remedies may be different when it acts not "in its sovereign capacity" but as contractor similar to private enterprises).

Both conditions discussed above are satisfied in this case. First, there is no doubt that, in the Patent Remedy Act, Congress expressly made States amenable to suit for patent infringement. Thus, petitioner was on notice, after enactment of the Patent Remedy Act, that future commercial activity infringing CSB's patent could render it subject to suit by CSB in federal court. Second, although state governments have historically assumed responsibility for the actual operation of schools, the marketing of investment products of the sort at issue here is neither a traditional nor a necessary means of facilitating the State's educational mission. See 98-149 U.S. Br. 26-27. Accordingly, by engaging in that marketing of investment products subject to the already existing congressional condition that patent infringement may be remedied by an award of damages in the federal courts, petitioner has waived its Eleventh Amendment immunity.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted,

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

*On Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit*

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**COUNTERSTATEMENT OF
QUESTION PRESENTED**

Does Congress have constitutional authority under § 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the states to prevent the states from depriving patent owners of their patent property without due process of law and just compensation by enacting legislation that provides patent owners with a remedy in the form of an action for patent infringement against the states in the federal courts under § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), 35 U.S.C. §§ 271(h) and 296?

STATEMENT OF INTERESTED PARTIES

The interested parties are identified correctly in the "Statement of Interested Parties" that appears at page ii of Petitioner Florida Prepaid Postsecondary Education Expense Board's "Brief for Petitioner."

Respondent College Savings Bank does not have a parent corporation and has one wholly-owned subsidiary known as College Savings Trust located in Helena, Montana.

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COUNTERSTATEMENT OF THE CASE

A. Background

Respondent College Savings Bank ("CSB") is a savings bank located in and chartered by the State of New Jersey. Since 1987, CSB has been engaged in the business of selling a certificate of deposit contract known as the "CollegeSure® CD." The CollegeSure® CD is unique, in part because the return on the contract is linked to the rate of inflation of the costs associated with attending college. CSB agrees to provide purchasers of the CollegeSure® CD a return guaranteed to be sufficient to fund the uncertain future cost of a college education. CSB administers the CollegeSure® CD program and satisfies its obligations to purchasers using apparatus and methods described and claimed in CSB's United States Patent No. 4,722,055 (the "'055 patent"). CSB's '055 patent describes and claims data processing methods and apparatus for implementing and administering an insurance investment program that provides a return adequate to pay the cost of a college education in return for a present investment determined on the basis of current college cost data and projections about the rate of increase of college costs. Pet. App. A at 2a; Pet. App. B at 28a-29a.

Petitioner Florida Prepaid Postsecondary Education Expense Board ("Florida Prepaid") is an entity created by statute to manage and operate the Florida Prepaid Postsecondary Education Expense Program. Fla. Stat. § 240.551 (1998). Florida Prepaid (like CSB) enters into contracts in which it agrees to provide its customers a return guaranteed to be sufficient to pay the uncertain costs of college at specified future dates. Pet. App. A at 2a. Pet. App. B at 28a-29a. Florida Prepaid began practicing the inventions claimed in CSB's '055 patent in September 1988 — after CSB's patent issued. Pet. App. B at 29a. Florida Prepaid does not restrict participation in its program to purchasers in the State of Florida — it enters into prepaid college tuition contracts with purchasers throughout the United States. March 9, 1995 Declaration of P.A. Roberts, Exhibit 3, p. 9. Florida Prepaid employs a number of private concerns to administer and market its program, including First Union National Bank, Coopers & Lybrand, Ernst & Young, U.S. Trust Company, InTuition Solutions, NationsBank, Watson Wyatt Investment Consulting, Shields/Alliance, T. Rowe Price Associates and others.

CSB commenced this action for patent infringement against Florida Prepaid on November 7, 1994 pursuant to § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992); 35 U.S.C. §§ 271(h) and 296 ("Patent Remedy Act"), which expressly abrogates the Eleventh Amendment immunity of the states and makes them amenable to patent infringement actions in the federal courts. CSB believes that Florida Prepaid uses CSB's patented methods and apparatus to administer the Florida Prepaid Postsecondary Education Expense Program and the college prepayment contracts that Florida Prepaid enters into with purchasers across the United States. CSB brought this action in the United States District Court for the District of New Jersey because Florida Prepaid enters into prepaid college tuition contracts with New Jersey citizens. Florida Prepaid never has denied that it contracts with citizens of states other than the State of Florida.

On February 15, 1995, Florida Prepaid, alleging *forum non conveniens*, moved under 28 U.S.C. § 1404(a) to transfer this action from the District Court in New Jersey to the United States District Court for the Northern District of Florida. The District Court denied Florida Prepaid's transfer motion on May 4, 1995.¹

On May 16, 1995, Florida Prepaid answered CSB's Complaint and filed a Counterclaim invoking the jurisdiction of the District Court under 28 U.S.C. §§ 1338(a), 2201 and 2202. Florida Prepaid's counterclaim affirmatively seeks an injunction against CSB and a judgment declaring that Florida Prepaid does not infringe CSB's '055 patent, and that the '055 patent is invalid and unenforceable. Pet. App. B at 31a.

On March 27, 1996, the Court handed down its decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), affirming the 1994 holding of the United States Court of Appeals for the Eleventh Circuit that the Indian Commerce Clause of the Constitution (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate

1. It is notable that Florida Prepaid chose not to move to dismiss at that time on grounds of Eleventh Amendment immunity even though Florida had successfully asserted Eleventh Amendment immunity one year before in *Seminole Tribe of Florida v. Florida*, 11 F.3d 1016 (11th Cir. 1994), *aff'd*, 517 U.S. 44 (1996).

the states' Eleventh Amendment immunity from suit in the federal courts. *Seminole Tribe*, 517 U.S. at 76. *Seminole Tribe* also overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), and held that the Interstate Commerce Clause (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the states' Eleventh Amendment immunity. *Seminole Tribe*, 517 U.S. at 66.

Seminole Tribe did not implicate the Fourteenth Amendment.² The Court of Appeals for the Eleventh Circuit held, and this Court affirmed, that the statute at issue in *Seminole Tribe*, the Indian Gaming Regulatory Act, "creates no liberty or property interests and cannot implicate the Fourteenth Amendment." *Seminole Tribe*, 11 F.3d at 1025 (emphasis added). *Seminole Tribe* did not alter the Court's prior holding in *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976) that § 5 of the Fourteenth Amendment *does* authorize Congress to abrogate the state's Eleventh Amendment immunity and enact legislation designed to enforce the substantive provisions of the Fourteenth Amendment. *Seminole Tribe*, 517 U.S. at 59. *Fitzpatrick* held:

[We] think that the Eleventh Amendment, and the principle of state sovereignty which it embodies, are necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment. In that section Congress is expressly granted authority to enforce "by appropriate legislation" the substantive provisions of the Fourteenth Amendment, which themselves embody significant limitations on state authority. When Congress acts pursuant to § 5, not only is it exercising legislative authority that is plenary within the terms of the constitutional grant, it is exercising that authority under one section of a constitutional Amendment whose other sections by their own terms embody limitations on state

2. In the District Court, Florida Prepaid contended that the Eleventh Circuit held in *Seminole Tribe* "that neither the Commerce Clause, the Fourteenth Amendment, nor the Indian Commerce Clause granted Congress the authority to abrogate sovereign immunity." Florida Prepaid's April 26, 1996 Memorandum of Law in Support of its Motion to Dismiss, p. 4. The District Court rejected Florida Prepaid's contention and observed that the Eleventh Circuit actually found that the statute in question in *Seminole Tribe* did not implicate the Fourteenth Amendment. Pet. App. B at 36a n.4.

authority. We think that Congress may, in determining what is "appropriate legislation" for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts.

Fitzpatrick, 427 U.S. at 456 (citations and footnote omitted).

The holding in *Seminole Tribe* that the Interstate Commerce Clause does not authorize Congress to abrogate the states' Eleventh Amendment immunity does not apply when Congress exercises its authority under the Fourteenth Amendment and enacts legislation that abrogates the states' immunity from suit:

Fitzpatrick was based upon a rationale wholly inapplicable to the Interstate Commerce Clause, viz., that the Fourteenth Amendment, adopted well after the adoption of the Eleventh Amendment and the ratification of the Constitution, operated to alter the pre-existing balance between state and federal power achieved by Article III and the Eleventh Amendment.

Seminole Tribe, 517 U.S. at 65-66.

B. The District Court's Decision

On May 14, 1996, a year and a half into this lawsuit, Florida Prepaid moved to dismiss CSB's patent infringement action, asserting that the Patent Remedy Act is unconstitutional under *Seminole Tribe*, and that Florida Prepaid is immune under the Eleventh Amendment from suit in the federal courts for patent infringement. The District Court denied Florida Prepaid's motion to dismiss on December 13, 1996, holding that patents are property and that § 5 of the Fourteenth Amendment authorizes the legislation Congress enacted to prevent the states from depriving patent owners of their property without due process of law and just compensation:

"That a patent is property, protected against appropriation both by individuals and by government, has long been settled." *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415, 65 S. Ct. 373, 387, 89 L. Ed. 322 (1945).

* * *

In sum, a patent is "property" for purposes of the Fourteenth Amendment, and Congress can, under that Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act. Moreover, Congress has the power to enforce all of the provisions of the Fourteenth Amendment, including the Due Process Clause. It necessarily follows, therefore, that Congress may, pursuant to Section 5 of the Fourteenth Amendment, enact appropriate legislation to make states amenable to suit in federal court for allegedly depriving patentees of their patent property without compensation and without due process of law.

Pet. App. B at 79a, 85a-86a.

The District Court rejected Florida Prepaid's argument that "the Fourteenth Amendment can only be used to remedy 'insidious discrimination.'" Pet. App. B at 81a-86a. The District Court stated that the "language of the [Fourteenth] Amendment reaches far beyond" remedying "the kind of 'insidious discrimination' against the newly-freed slaves that prompted its adoption," and observed that "the Supreme Court has repeatedly applied it, according to its terms, outside the context of civil rights." Pet. App. B at 81a.

C. The Federal Circuit's Decision

Florida Prepaid appealed from the District Court's decision on February 11, 1997, asserting again that Congress' authority under § 5 of the Fourteenth Amendment is limited to the enactment of legislation prohibiting discrimination, and that legislation enacted to enforce the provisions of the Due Process Clause (such as the Patent Remedy Act), is unconstitutional:

Because the Fourteenth Amendment has always, since its adoption, been deemed to grant Congress power to abrogate states' sovereign immunity only when enacting legislation to remedy pervasive and invidious discrimination, legislation having a different aim is constitutionally flawed.

July 14, 1997 Brief for Appellant Florida Prepaid Postsecondary Education Expense Board, p. 6 (emphasis in original).

The Court of Appeals for the Federal Circuit ("Federal Circuit") denied Florida Prepaid's appeal on June 30, 1998. In response to Florida Prepaid's argument that Congress' authority under § 5 of the Fourteenth Amendment is confined to legislation enforcing the Equal Protection Clause and prohibiting discrimination, the Federal Circuit acknowledged that it is undeniable that the Civil War Amendments were adopted to remedy state-sponsored racial discrimination, but noted that:

Equally undeniably, the Supreme Court has enforced the Due Process Clause of the Fourteenth Amendment against the states and has read it expansively to prohibit state actions wholly unrelated to discrimination of any sort. Florida Prepaid cites no authority forbidding Congress from enacting statutes that abrogate state immunity in order to protect persons from property deprivations without due process of law. Surely the enforcement power of Congress under section 5 must embrace the full range of behavior that the Supreme Court has held to violate the substantive provisions in section 1 of the Amendment. We therefore reject the proposition that congressional authority under section 5 is restricted to only a certain provision of the Fourteenth Amendment, namely the Equal Protection Clause.

Pet. App. A at 11a-12a (citations omitted).

Florida Prepaid also argued on appeal that the Fourteenth Amendment does not authorize Congress to abrogate the states' Eleventh Amendment immunity and provide patent owners with a remedy for state-sponsored patent infringement because: (1) patents are property created by a federal statute Congress promulgated in an exercise of its authority under Article I of the Constitution; and (2) this Court's decision in *Seminole Tribe* held that Article I does not authorize Congress to abrogate the states' Eleventh Amendment immunity. The Federal Circuit articulated and rejected Florida Prepaid's argument as follows:

Florida Prepaid next argues that the objective of the Patent Remedy Act is impermissible because, if we were to allow it, Congress would be able to abrogate state

sovereign immunity pursuant to its Article I power, which is the exact result that the Supreme Court proscribed in *Seminole Tribe*. This is because the "property" protected by Congress under the Fourteenth Amendment, in this case a patent, is federally created property under Title 35 of the U.S. Code. Florida Prepaid asserts that, just as Congress created the patent system, it could ostensibly choose to create any sort of property using its Article I powers, and then, argues Florida Prepaid, abrogate the states' immunity to suit for the deprivation of that property. . . .

. . . .

. . . [B]ecause the Fourteenth Amendment was enacted subsequent to the Eleventh Amendment, unlike Article I, it expressly qualified the principle of sovereign immunity. . . . When the states adopted the Fourteenth Amendment and consented to cede a portion of their authority to the federal government, it was within their contemplation that they limited their Eleventh Amendment immunity. *Fitzpatrick* teaches so, and we adhere to its reasoning.

* * *

[S]uch central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states. . . . To claim that patents do not warrant protection is tantamount to asserting that Congress may not, under any circumstance, abrogate the states' Eleventh Amendment immunity pursuant to the Due Process Clause when seeking to protect persons from the risk of unlawful deprivation of their property. Such would, in our view, amount to a direct contradiction of the text of the Fourteenth Amendment and its application by the Supreme Court.

If the reasoning of *Fitzpatrick* is to retain vitality, it must be that protecting a well-established property interest such as a patent is a permissible objective under the Fourteenth Amendment. . . . The objective of the Patent

Remedy Act, which is to protect privately-held patent property from deprivation by states, is constitutionally legitimate.

Pet. App. A at 15a-18a (citations omitted).

The Federal Circuit also rejected Florida Prepaid's argument that, under *City of Boerne v. Flores*, 521 U.S. 507 (1997), "the means by which Congress sought to protect the patent right are out of proportion to the harm that the Patent Remedy Act endeavors to prevent." Pet. App. A at 18a-19a. In rejecting Florida Prepaid's argument, the Federal Circuit first analyzed the legislative history of the Patent Remedy Act and found that "the . . . record discloses significant instances of alleged patent infringement by states or state entities." Pet. App. A at 21a. The Court also noted that:

[T]he legislative history reflects the recognition that, as commercialization of basic research continues, particularly in the biotechnology field, state universities are becoming increasingly more active in the commerce of intellectual property, and, naturally, an increase in the number of patent suits against the states likely will ensue.

Pet. App. A at 22a. The Federal Circuit also considered the proportionality between the harm caused by state-sponsored patent infringement and the means Congress chose to address that harm:

[W]hen states infringe patents, they cause considerable harm to the patentee and the patent system as a whole. Absent the right to sue a state under Title 35 for infringement, a patent declines drastically in value. . . . Furthermore, without the disincentive provided by the patent law's damages provisions, a patentee of inventions utilized primarily by states would suffer even greater harm, because an overwhelming portion, rather than a minor subset, of the potential market would be more apt to infringe or to procure cheaper infringing devices until the patentee brings suit. This would render the patentee's patent almost worthless. *See James v. Campbell*, 104 U.S. 356, 358, 26 L. Ed. 786 (1882) (stating with regard to infringement by the federal government: "Many inventions relate to subjects which can only be properly used by the

government, such as explosive shells, rams, and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments.").

. . . .

. . . [T]he burden that the Patent Remedy Act places on states is slight, and it is not disproportionate or incongruent with the significant harm to patent holders who, absent abrogation of Eleventh Amendment immunity, would be unable to enforce fully the rights conveyed by their patent. The Patent Remedy Act thus achieves the congruence between the injury to be prevented and the means adopted to remedy the injury that distinguishes a permissible, remedial exercise of Congress' power under the Fourteenth Amendment from an impermissible extension of the substance of the Fourteenth Amendment rights themselves.

Pet. App. A at 23a-25a (citations omitted).

After finding that Congress clearly expressed its intent to abrogate the states' Eleventh Amendment immunity, and that Congress abrogated the states' immunity in a valid exercise of Congress' constitutional authority under the Fourteenth Amendment, the Federal Circuit affirmed the District Court's decision denying Florida Prepaid's motion to dismiss. The Federal Circuit did not reach CSB's arguments that Florida Prepaid waived any claim of Eleventh Amendment immunity it may have had: (1) by its conduct in this action; and (2) under the constructive waiver doctrine articulated by the Court in *Parden v. Terminal Ry. of Alabama State Docks Dep't*, 377 U.S. 184 (1964). *See infra*, p. 49.

On September 29, 1998, the Clerk of the Court docketed Florida Prepaid's Petition for Writ of Certiorari. The Court granted Florida Prepaid's Petition on January 8, 1999.

SUMMARY OF ARGUMENT

It has been settled for more than a century that the rights secured by a patent are property. *Union Paper-Bag Mach. Co. v. Murphy*, 97 U.S. 120, 121 (1877) ("[r]ights secured to an inventor by letters-patent are property"). It also is settled that patent property rights are

viewed no differently than other established property rights in the eyes of the Constitution or the Court:

A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions.

Consolidated Fruit-Jar Co. v. Wright, 94 U.S. 92, 96 (1876).

The totality of the property right conveyed by a patent is the right to exclude others from practicing the inventions described and claimed in the patent:

The franchise which the patent grants, consists altogether in the right to exclude every one from making, using, or vending the thing patented, without the permission of the patentee. *This is all that he obtains by the patent.*

Bloomer v. McQuewan, 55 U.S. (14 How.) 539, 549 (1852) (emphasis added). The right to exclude is among the "most essential sticks in this bundle of rights that are commonly characterized as property."

Kaiser Aetna v. United States, 444 U.S. 164, 176 (1979).

When the United States deprives a patent owner of the right to exclude by making or using the patented invention without obtaining a license and without paying compensation to the patent owner, a taking in contravention of the Fifth Amendment occurs:

That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.

James v. Campbell, 104 U.S. 356, 357-58 (1881). See also *William Cramp & Sons Ship & Engine Bldg. Co. v. International Curtis Marine Turbine Co.*, 246 U.S. 28, 39-40 (1918) ("rights secured under the grant of letters patent by the United States [are] property and protected by the guarantees of the Constitution and not subject therefore to be appropriated even for public use without adequate compensation"); *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641,

648 (1915) ("[t]he exclusive right conferred by the patent [is] property, and the infringement [is] a tortious taking of a part of that property").

The prohibition of the Takings Clause of the Fifth Amendment — "nor shall private property be taken for public use, without just compensation" — applies with equal force to the United States and to the several states:

The pertinent words of the Fifth Amendment . . . are the familiar ones: "nor shall private property be taken for public use, without just compensation." *That prohibition, of course applies against the States through the Fourteenth Amendment.*

Webb's Fabulous Pharmacies, Inc. v. Beckwith, 449 U.S. 155, 160 (1980) (emphasis added).

Section 1 of the Fourteenth Amendment expressly prohibits states from depriving persons of their property without due process of law, and through incorporation of the Fifth Amendment, prohibits the states from taking property without just compensation. Section 5 of the Fourteenth Amendment explicitly authorizes Congress to enact legislation appropriate to enforce the substantive provisions of § 1, including the Due Process Clause, against the states. See *City of Boerne*, 521 U.S. at 519 ("The 'provisions of this article,' to which § 5 refers, include the Due Process Clause of the Fourteenth Amendment."). Section 5 of the Fourteenth Amendment authorizes Congress to enact legislation to enforce the substantive provisions of the Fourteenth Amendment against the states notwithstanding the provisions of the Eleventh Amendment. In *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 238 (1985), the Court held:

[T]he Eleventh Amendment is "necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment," that is, by Congress' power "to enforce, by appropriate legislation, the substantive provisions of the Fourteenth Amendment." *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976). As a result, when acting pursuant to § 5 of the Fourteenth Amendment, Congress can abrogate the Eleventh Amendment without the States' consent.

See also *Seminole Tribe*, 517 U.S. at 59.

Section 5 of the Fourteenth Amendment expands congressional authority and limits the power of the states:

Speaking of the Thirteenth and Fourteenth Amendments in *Ex parte Virginia*, 100 U.S. 339, 345 (1880), the Court stated: "They were intended to be, what they really are, limitations of the powers of the States and enlargements of the power of Congress."

City of Richmond v. J.A. Croson Co., 488 U.S. 469, 490 (1989). When Congress exercises that "positive grant of power" under § 5 (*Katzenbach v. Morgan*, 384 U.S. 641, 651 (1966)), and enacts legislation to deter or remedy constitutional violations, Congress may even prohibit conduct that is not itself unconstitutional:

As the Court recently observed with respect to Congress' power to legislate under the Fourteenth Amendment, "[l]egislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into legislative spheres of autonomy previously reserved to the States."

Lopez v. Monterey County, ___ U.S. ___, ___, 119 S. Ct. 693, 703 (1999) (citation omitted).

The Court defined the scope of Congress' authority under § 5 in *Morgan*, 384 U.S. at 650 (footnote omitted):

By including § 5 the draftsmen sought to grant to Congress, by a specific provision applicable to the Fourteenth Amendment, the same broad powers expressed in the Necessary and Proper Clause, Art. I, § 8, cl. 18. The classic formulation of the reach of those powers was established by Chief Justice Marshall in *McCulloch v. Maryland*, 4 Wheat. 316, 421:

Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the constitution are constitutional.

Congress exercised its authority under § 5 in 1992 when it enacted the Patent Remedy Act to prevent states from depriving patent owners of their patent property without due process of law and just compensation:

[T]he bill is justified as an acceptable method of enforcing the provisions of the fourteenth amendment. The Court in *Lemelson v. Ampex Corp.* [372 F. Supp. 708, 181 USPQ 313 (N.D. Ill. 1974)], recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement. Additionally, because courts have continually recognized patent rights as property, the fourteenth amendment prohibits a State from depriving a person of property without due process of law. . . . Furthermore, the fourteenth amendment gives Congress the authority to enforce this right. S. 758 and S. 759 represent a valid extension of Congress' right to protect the property rights of patent and trademark holders.

S. Rep. No. 102-280, at 8 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3094 (hereafter "S. Rep., at __, __") (App. 20a) (footnotes omitted).

Congress enacted the Patent Remedy Act in response to the Federal Circuit's decision in *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990). In *Chew*, the Federal Circuit, in accordance with this Court's holding in *Atascadero*, held that the Patent Act did not abrogate the states' Eleventh Amendment immunity because the Patent Act did not explicitly evidence an intent on the part of Congress to abrogate the states' immunity from suit. In connection with its consideration of *Chew*, Congress observed that:

By permitting the sovereign immunity defense to deny Chew recovery, the plaintiff was literally left without any recourse.

S. Rep., at 6, 3092 (App. 15a).

In enacting the Patent Remedy Act, Congress "review[ed] some of the decided cases to get a picture of the extent to which arms of the states are involved in commercial activity involving patented technology." *Patent Remedy Clarification Act: Hearing on H.R. 3886 Before the Subcomm. on Courts, Intellectual Property, and the Admin.*

of Justice of the House Comm. on the Judiciary, 101st Cong., 2d sess. 30 (1990) (hereafter "Hearing, at ___") (prepared statement of Robert P. Merges). The legislative history reflects an expectation of increasing state involvement in patent litigation:

Most importantly, the cases where sovereign immunity could be a defense are very likely to grow in number. State universities are joining the rush to commercialize the results of basic science in ever-growing numbers. This trend is especially apparent in the biotechnology industry, and to a lesser extent in fields such as materials science and computer software. As the universities do so, they move further and further into the commercial realm, making it more likely that they will be involved in an increasing amount of patent litigation.³

Hearing, at 37.

Congress considered and rejected as inadequate state law remedies for state-sponsored patent infringement. In this connection, the legislative history discusses the cumbersome nature of drafting a patent infringement action as a general tort claim against a state:

Thus a patentee . . . would apparently have to draft her cause of action as a general tort claim — or perhaps one for restitution — to come within the statute. This might be impossible, or at least difficult. . . . Consequently, relief under statutes such as these may not be a true alternative avenue of recovery.

Hearing, at 33.

The legislative history of the Patent Remedy Act reflects Congress' concern that the Court's decision in *Bonito Boats, Inc. v. Thundercraft Boats, Inc.*, 489 U.S. 141 (1989) may preempt state courts from hearing claims that, in substance, are patent infringement claims. Hearing, at 33-34. Congress also heard testimony that raised questions about whether state law remedies are available in all of the states, and noted that the lack of uniformity that would flow from

3. The legislative history also reports that "[a] quick review of reported cases provides evidence that such a trend is already under way." Hearing, at 37 n.20.

allowing each state to define its own remedy for patent infringement would adversely affect the value of patents:

Another problem with this approach is that it assumes that such state law remedies will be available in every state in which the patentee's product is sold. This may or may not be true. In any event, requiring a potential plaintiff (patentee) to ascertain the validity of her claims under the differing substantive and procedural laws of the fifty states may well prove a very substantial disincentive to the commencement of such suits. Moreover, it would vitiate a major goal of the federal intellectual property system: national uniformity. In short these remedies are simply no substitute for patent infringement actions.⁴

Hearing, at 34 (footnotes omitted).

Congress' enactment of the Patent Remedy Act is a paradigm for the constitutional exercise of its authority under the Fourteenth Amendment. Congress identified a problem: an increasing trend of patent infringement by the states. Congress recognized that to the extent state remedies for patent infringement even exist, those remedies can be inadequate, cumbersome, illusory and of limited or no practical utility. Congress also appreciated that a lack of uniformity in the procedures and remedies available to address patent infringement reduces the value of patents to their owners. Congress explicitly determined that the Patent Remedy Act was necessary to insure that patent owners are afforded due process of law and just compensation when states act to deprive them of their patent property by violating their right to exclude others from practicing their inventions. Congress' determination is entitled to much deference. *City of Boerne*, 521 U.S. at 536 ("It is for Congress in the first instance to 'determin[e] whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment,' and its conclusions are entitled to much deference.") (citation omitted).

Florida Prepaid argues that the Court's decision in *Seminole Tribe* bars Congress from enacting legislation that prohibits the states from

4. The legislative history also notes that state court judges lack expertise in addressing issues related to patent infringement actions and that their decisions would not be reviewable by the Federal Circuit. Hearing, at 37 n.20.

depriving persons' of "Article I property interest[s]" without due process of law and just compensation. The statute at issue in *Seminole Tribe*, however, did not implicate *any* property rights. *Seminole Tribe* simply does not address the questions whether and under what circumstances Congress may protect property interests from deprivation by the states.

Florida Prepaid's attempt to distinguish "Article I property interest[s]" from other property interests finds no support in the text of the Fourteenth Amendment, and is contrary to the Court's settled case law that makes it clear a patent for an invention is as much property as a patent for land: "The right rests on the same foundations, and is surrounded and protected by the same sanctions." *Consolidated Fruit-Jar*, 94 U.S. at 96. Money, like patents, is an "Article I property interest." It is beyond doubt that the Fourteenth Amendment prevents states from depriving persons of their monetary property without due process of law and just compensation. See *Board of Regents of State Colleges v. Roth*, 408 U.S. 564, 571-72 (1972). There is no principled basis for differentiating between a person's property interests in money or patents.

Florida Prepaid argues that if the Court confirms Congress has authority to enact legislation preventing states from depriving patent owners of their property without due process and just compensation, Congress will emasculate the Eleventh Amendment by creating numerous new property rights under Article I, and then enact legislation under the Fourteenth Amendment to protect those new rights against deprivation by the states. Florida Prepaid's confected parade of horrors is illusory: the Constitution does not vest in Congress plenary power to create property. Article I of the Constitution does, however, expressly authorize Congress to create patent (as well as copyright and monetary) property interests.

Florida Prepaid claims that Congress did not identify "any actual or threatened state conduct" that deprives patent owners of their property without due process of law and just compensation. Florida Prepaid is wrong. Congress identified a growing problem of state-sponsored patent infringement. Patent infringement deprives patentees of the sole property right associated with patents — the right to exclude. Congress determined that state law remedies and procedures

for patent infringement either did not exist or were inadequate to insure that patentees are justly compensated for deprivation by the states. Congress appreciated that the value of patent property turns on the availability of uniform procedures and remedies administered by courts experienced in addressing the issues that arise in patent litigation.

Florida Prepaid asserts that the courts below should have determined whether Florida Prepaid's infringement of CSB's patent constituted a constitutional violation. That, however, is not the test. There is no requirement that the courts evaluate on a case by case basis whether conduct proscribed by Congress violates the Fourteenth Amendment. *Morgan*, 384 U.S. at 648.

Florida Prepaid contends that "[t]he expansive relief provided under Title 35 is grossly incongruent to the end of redressing governmental patent infringement." Brief for Petitioner, p. 13. The damages available in patent infringement actions, however, are calculated to *compensate* patent owners whose patent property has been taken and improperly used by infringers. 35 U.S.C. § 284 ("upon finding for the claimant the court shall award the claimant damages *adequate to compensate for the infringement* . . . for the use made of the invention by the infringer") (emphasis added). Compensatory patent infringement damages can be increased by the courts only when a state's acts of infringement are "flagrant" and "egregious" — when extra deterrence is required. S. Rep., at 10-11, 3096-97 (App. 25a). Florida Prepaid complains that the Patent Remedy Act allows for awards of attorneys' fees against the states. Attorney's fees, however, like increased damages, are awarded only in "exceptional" cases. 35 U.S.C. § 285. This Court itself has held that awards of attorney's fees may be appropriate to enforce the guarantees of the Fourteenth Amendment. *Maher v. Gagne*, 448 U.S. 122, 132 (1980).

The Patent Remedy Act is a paradigm of proportionality. In unexceptional cases, it provides the patentee whose property has been taken by the state with a remedy in the form of "damages adequate to *compensate* for the infringement." In exceptional cases, when a state willfully and deliberately infringes a patent, Congress has crafted a remedy designed to create the disincentive necessary to deter future acts of bad faith state-sponsored deprivation of patent property.

Florida Prepaid complains that the Patent Remedy Act treats infringing states in a manner that differs from the treatment afforded the United States under 28 U.S.C. § 1498. The United States, however, stands on entirely different footing than the states with respect to sovereign power over patent property. The United States has the sovereign power of eminent domain over property in the hands of citizens of the United States, including patents, and may choose to exercise that power and take patent property for public use so long as the patent owner is provided due process and just compensation as required by the Fifth Amendment. Congress waived the United States' sovereign immunity from suit when it enacted 28 U.S.C. § 1498 to provide patent owners whose patent property has been taken by the United States with a remedy in the form of an action against the United States in the Court of Federal Claims for recovery of "reasonable and entire compensation." The states, on the other hand, have no sovereign power over patents owned by citizens of other states. The eminent domain power of a state extends only to property within its boundaries. Florida Prepaid has no right and no power to exercise eminent domain over the patent property of CSB, a New Jersey resident,⁵ and there is no reason to require Congress to treat patent infringement by the states in the same way Congress has provided when the United States exercises its power of eminent domain over patent property.

The Patent Remedy Act is Congress' considered response to a state's successful reliance on sovereign immunity that left a patent owner whose property was taken "without any recourse." Congress reviewed past reported decisions of state-sponsored patent infringement, identified a problem of increasing state-sponsored patent infringement, and concluded, that if left unchecked, state-sponsored patent infringement would increase substantially. Congress analyzed state law remedies and procedures and found them on the whole insufficient to insure that a patent owner whose property is taken is afforded the due process and just compensation guaranteed by § 1 of the Fourteenth Amendment. Congress emphasized the

5. There is a fundamental question about what right or power a state has to take the patent property of a United States citizen even with due process and just compensation. See *infra*, pp. 43-44.

importance of uniform remedies and procedures to maintain the value of patent property. The Patent Remedy Act is a valid exercise of Congress' authority to enforce the mandate of the Fourteenth Amendment that no state shall deprive any person of property without due process of law and just compensation.

ARGUMENT

A. PATENTS ARE PROPERTY RIGHTS PROTECTED BY THE FOURTEENTH AMENDMENT

It is well settled that patents are property. 35 U.S.C. § 261 ("[p]atents shall have the attributes of personal property"). See *Union Paper-Bag Mach. Co.*, 97 U.S. at 121. Florida Prepaid nevertheless continues to refer to patents as "a species of property," and attempts to distinguish patent property from forms of property protected from unlicensed and uncompensated deprivation by the states. The Court long has held, however, that patent property rights are indistinguishable from other property rights in the eyes of the Constitution. *Consolidated Fruit-Jar*, 94 U.S. at 96.

The Court long has held that an uncompensated, unlicensed use by the United States of a patented invention contravenes the Takings Clause of the Fifth Amendment — "nor shall private property be taken for public uses without just compensation." *James*, 104 U.S. at 357-58; *William Cramp & Sons Ship & Engine Bldg. Co.*, 246 U.S. at 39-40; *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415 (1945) ("That a patent is property, protected against appropriation both by individuals and by government, has long been settled.") (footnote omitted); *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 191 (1933) ("[t]he government has no more power to appropriate a man's property invested in a patent than it has to take his property in real estate").

The Takings Clause also prohibits the states from taking private property without due process and just compensation:

The Takings Clause of the Fifth Amendment of the United States Constitution, made applicable to the States through the Fourteenth Amendment, provides: "[N]or shall private property be taken for public use, without just compensation."

Dolan v. City of Tigard, 512 U.S. 374, 383-84 (1994) (citation and footnote omitted). If a state violates a landowner's right to exclude, a taking occurs. *Dolan*, 512 U.S. at 384 ("Without question, had the city simply required petitioner to dedicate a strip of land . . . for public use . . . a taking would have occurred. Such public access would deprive petitioner of the right to exclude others, 'one of the most essential sticks in the bundle of rights that are commonly characterized as property.' ") (citations omitted). Under the Court's holding in *Consolidated Fruit-Jar* that "[a] patent for an invention is as much property as a patent for land," an uncompensated, state-sponsored violation of a patent owner's right to exclude also must constitute a taking. 94 U.S. at 96.

Section 1 of the Fourteenth Amendment expressly prohibits the states from depriving persons of their property without due process of law, and through incorporation of the Fifth Amendment, prohibits states from taking property without just compensation. Congress is authorized by § 5 to enact legislation appropriate to enforce against the states all of the substantive provisions of the Fourteenth Amendment — including the Due Process clause. *Maher*, 448 U.S. at 132 ("Under § 5 Congress may pass any legislation that is appropriate to enforce the guarantees of the Fourteenth Amendment."). Congress has authority under the Fourteenth Amendment to abrogate the states' Eleventh Amendment immunity to enforce the substantive provisions of the Fourteenth Amendment against the states. *Fitzpatrick*, 427 U.S. at 456. The Court explained the import of *Fitzpatrick* in *Seminole Tribe*:

In *Fitzpatrick* we recognized that the Fourteenth Amendment, by expanding federal power at the expense of state autonomy, had fundamentally altered the balance of state and federal power struck by the Constitution. We noted that § 1 of the Fourteenth Amendment contained prohibitions expressly directed at the States and that § 5 of the Amendment expressly provided that "The Congress shall have the power to enforce, by appropriate legislation, the provisions of this article." We held that through the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment and therefore that § 5 of the Fourteenth Amendment allowed

Congress to abrogate the immunity from suit guaranteed by the Amendment.

517 U.S. at 59.

The states have infringed patents without license, process or compensation. Congress had reason to believe, when it enacted the Patent Remedy Act, that state infringement would continue, and that if left unchecked, the incidence of state-sponsored patent infringement would rise. Congress determined that legislation was necessary to insure that patent owners whose rights to exclude are violated by the states are afforded the due process and just compensation guaranteed by the Fourteenth Amendment. The Patent Remedy Act, which provides a remedy with uniform procedures and experienced courts, and mandates that states must compensate patentees for the patented inventions the states take, creates no new rights — the Patent Remedy Act only enforces rights explicitly enumerated in the text of the Fourteenth Amendment.

1. *Seminole Tribe*

According to Florida Prepaid:

Seminole Tribe teaches that Congress cannot abrogate states' Eleventh Amendment immunity simply because it desires to provide a federal forum for the recovery of damages for violations of a federal right created under Article I.

Brief for Petitioner, p. 16 (footnote omitted). This is not the holding of *Seminole Tribe*. In *Seminole Tribe*, the Court held that the Indian Commerce Clause (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the states' Eleventh Amendment immunity. The Court also overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), and held that the Interstate Commerce Clause (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the states' Eleventh Amendment immunity. The Court summarized its holding in *Seminole Tribe* as follows:

The Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction.

517 U.S. at 72-73. *Seminole Tribe* stands for the proposition that Congress cannot use its Article I powers to abrogate the states' Eleventh Amendment immunity. *Seminole Tribe* says nothing, however, about Congress' authority under the Fourteenth Amendment to protect property rights created by Congress under Article I.

Florida Prepaid contends:

[W]hile *Seminole Tribe* does not mean that Congress cannot create property rights under Article I or even that patents are not property, it does confirm that whatever statutory property rights Congress is able to create under Article I after the passage of the Eleventh Amendment do not include the right to have such rights enforced against states by suit in federal court.⁶

Brief for Petitioner, pp. 17-18 n.6. *Seminole Tribe*, however, is inapposite to the question whether the Fourteenth Amendment authorizes Congress to enact legislation prohibiting the states from taking patent property (or any other form of property) without due process of law and just compensation. The Court's holding in *Seminole Tribe* did not implicate Congress' authority under the Fourteenth Amendment. The Eleventh Circuit held, and this Court affirmed, that the statute at issue in *Seminole Tribe*, the Indian Gaming Regulatory Act, "creates no liberty or property interests and cannot implicate the Fourteenth Amendment." *Seminole Tribe*, 11 F.3d at 1025 (emphasis added). *Seminole Tribe* does not address the question whether § 5 of the Fourteenth Amendment authorized Congress to enact the Patent Remedy Act to enforce the substantive provisions of the Fourteenth Amendment against the states. That question is controlled by the Court's holding in *Fitzpatrick*, where the Court specifically held that § 5 does authorize Congress to enact legislation abrogating the states' Eleventh Amendment immunity to enforce the substantive provisions of the Fourteenth Amendment. Congress did just that when it enacted the Patent Remedy Act for the explicit purpose of preventing states from taking patent property without due process and just compensation.

6. Florida Prepaid's argument is belied by the fact that Congress created patent property rights in the Patent Act of 1790 (1 Statutes at Large 109), before the Eleventh Amendment was even proposed to the legislatures of the several states by the Third Congress on March 4, 1794.

Florida Prepaid argues that because patents are created pursuant to a statute Congress enacted under authority of Article I, and because *Seminole Tribe* holds that Article I does not authorize Congress to abrogate the states' immunity, Congress cannot constitutionally enact legislation to prevent states from taking patents without due process and just compensation. This argument fundamentally misapprehends the respective roles of Article I and the Fourteenth Amendment. The Fourteenth Amendment expressly prohibits the states from taking property without due process of law, and through incorporation of the Fifth Amendment, prohibits states from taking private property without just compensation. Section 5 of the Fourteenth Amendment also grants Congress authority to enforce through legislation the mandates of the substantive provisions of the Fourteenth Amendment. Article I, in contrast, gives Congress authority to create patent and certain other forms of property, but says nothing about the authority of Congress to prohibit the states from taking patents or any other form of property.

When a state takes patent property without due process and just compensation, it runs afoul of the prohibitions of the Fourteenth Amendment — not the provisions of Article I. When a state takes patent property it violates the substantive prohibitions of Section 1 of the Fourteenth Amendment just as surely as when it takes a person's land or money.⁷ The fact that patent property rights were created by

7. Money, like patents, is a form of property created by Congress pursuant to authority enumerated in Article I of the Constitution. U.S. Const. art I, § 8, cl. 5. It is beyond doubt that a state could not deprive its citizens — let alone the citizens of other states — of their monetary property without due process and just compensation. See *Board of Regents*, 408 U.S. at 571-72 (the "property interests protected by procedural due process extend well beyond actual ownership of real estate, chattels, or money") (footnote omitted). Florida Prepaid never adequately explains why one form of property created by Congress under Article I — money — merits protection under the Fourteenth Amendment, while another form of property created by Congress under Article I — patents — does not. In its Reply Brief in support of its Petition for Writ of Certiorari (p. 7 n.3), Florida Prepaid argues that money and patents are different because " 'money' as a medium of exchange has an ancient history that obviously predates the Constitution," and that the government may take actions that devalue currency without giving rise to a claim under the "Takings (Cont'd)

Congress under Article I is irrelevant to the question whether the Fourteenth Amendment authorizes Congress to enact legislation that prevents the states from depriving patent owners of their property without the due process and just compensation guaranteed by the Fifth and Fourteenth Amendments. Article I never granted Congress authority to enact legislation abrogating the states' immunity from suit in the federal courts — that is the holding of *Seminole Tribe*. When Congress enacted the Patent Remedy Act, it enforced rights guaranteed by the Fourteenth Amendment — not Article I.

Florida Prepaid's attempt to carve out an exception to the Fourteenth Amendment that would exclude property created by Congress pursuant to laws enacted under authority of Article I, is contrary to the text of the Fourteenth Amendment and the precedent of this Court. See, e.g., *Consolidated Fruit-Jar*, 94 U.S. at 96. The Fourteenth Amendment makes no distinctions between different forms of property:

The Fourteenth Amendment's procedural protection of property is a safeguard of the security interests that a person has already acquired in specific benefits. These interests — property interests — may take many forms.

Board of Regents, 408 U.S. at 576. Patents surely are one such form of protected property. As the Federal Circuit noted, many of the forms of property this Court has held to be protected by the Fourteenth Amendment are not grounded as securely in the Court's historical jurisprudence as patents. Pet. App. A, 17a-18a. The framers of the Fourteenth Amendment could have drafted the Amendment to prohibit the states from depriving persons of their property without due process of law, *except for property created by Congress pursuant to its*

(Cont'd)

Clause." These distinctions make little sense. Patents also predate the Constitution. Moreover, a devaluation of money caused by a general regulation is not analogous to the confiscatory taking at bar. When a state infringes a patent, it confiscates the patented invention for its own use and deprives the patent owner of the sole property right secured by a patent — the right to exclude. That is not equivalent to the operation of a general regulation that merely devalues patents. Such a confiscatory state use is a per se taking. *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419 (1982). See *Phillips v. Washington Legal Found.*, 524 U.S. 156, ___, 118 S. Ct. 1925, 1931 (1998).

authority under Article I of the Constitution. The framers, however, did not so limit the Fourteenth Amendment; neither did this Court in *Seminole Tribe*.

Florida Prepaid argues that if Congress is allowed to enact legislation under the Fourteenth Amendment to protect property rights created by Congress under Article I, Congress will use its Article I power to create numerous new property rights, and then exercise its Fourteenth Amendment authority to use those new property rights to eviscerate the Eleventh Amendment. Congress' authority under Article I to create property, however, is not unlimited. Article I does, however, expressly authorize Congress to create patent property, and this Court's prior decisions plainly establish that patent property — like land — falls within the class of property protected from governmental deprivation by our Constitution. Florida Prepaid's attempt to elevate the Eleventh Amendment above the Fourteenth Amendment misapprehends the role of the Fourteenth Amendment as an expansion of congressional authority at the expense of state power, and eviscerates the express provisions of the Fourteenth Amendment that Congress may enact legislation appropriate to prevent the states from depriving persons of property without due process of law and just compensation.

Florida Prepaid relies on the vacated decision of the Court of Appeals for the Fifth Circuit in *Chavez v. Arte Publico Press*, 157 F.3d 282, 289 (5th Cir. 1998), to support its argument that allowing Congress to enact legislation protecting patent property rights would be an "end-run around *Seminole [Tribe]*." Judge Wisdom's dissenting response in *Chavez* eloquently rebuts that argument:

Congress enacted a valid waiver of state sovereign immunity for copyright and trademark infringement cases. It may be that this allows an end-run around *Seminole*, but this end-run is one grounded in the text of the Constitution and well-established precedent.

157 F.3d at 297-98 (footnote omitted).

B. THE PATENT REMEDY ACT IS A CONSTITUTIONAL EXERCISE OF CONGRESS' AUTHORITY TO ENACT LEGISLATION PREVENTING THE STATES FROM DEPRIVING PATENT OWNERS OF THEIR PROPERTY WITHOUT DUE PROCESS OF LAW AND JUST COMPENSATION

1. Congress Clearly Evidenced A Desire To Remedy And Deter Unconstitutional State Conduct

Florida Prepaid asserts that: "None of the five justifications for Congress's passage of the Patent Remedy Act evidence a desire to remedy or prevent a pattern of unconstitutional state conduct." Brief for Petitioner, p. 20. Florida Prepaid's assertion is belied by the legislative history of the Patent Remedy Act. That history is replete with passages that evidence Congress' desire to remedy and deter unconstitutional state-sponsored takings of patent property. The Senate Report submitted with the legislation, for example, states:

[T]he bill is justified as an acceptable method of enforcing the provisions of the Fourteenth Amendment. The Court in *Lemelson v. Ampex Corp.* recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement. Additionally, because courts have continually recognized patent rights as property, the fourteenth amendment prohibits a State from depriving a person of property without due process of law. . . . Furthermore, the fourteenth amendment gives Congress the authority to enforce this right. S. 758 and S. 759 represent a valid extension of Congress' right to protect the property rights of patent and trademark holders.

S. Rep., at 8, 3094 (App. 20a) (citation omitted).

The legislative history expressly indicates that the purpose of the Patent Remedy Act is to insure that patent owners whose inventions are taken by states are compensated:

To this end, the gentleman from California, Mr. Moorehead, and myself [Representative Kastenmeier], have introduced H.R. 3886 to assure that patent owners can recover damages from States that

infringe their patents, notwithstanding the provisions of the 11th amendment.

Hearing, at 5 (opening statement of Robert N. Kastenmeier).

Congress expressed its concern that after the Federal Circuit's decision in *Chew*, there would be no viable remedy available to patent owners to obtain compensation for unlicensed state use of patent property:

Although the *Chew* court recognized that Congress could abrogate the State's immunity, it determined that the Patent Code did not meet the stringent test required by *Atascadero*. The court found that the patent statute used only the general term of "whoever" when stating what parties were subject to suit for patent infringement. As the Supreme Court had stated in *Atascadero*, the *Chew* court held that, "when Congress chooses to subject states to federal jurisdiction, it must do so specifically." *By permitting the sovereign immunity defense to deny Chew discovery, the plaintiff was literally left without any recourse.*

S. Rep., at 5-6, 3091-92 (App. 14a-15a) (emphasis added) (citations omitted).

Florida Prepaid contends that: "Congress did not make any inquiry into the availability of due process in state courts when enacting the Patent Remedy Act. . . ." Brief for Petitioner, p. 32. On the contrary, Congress heard a significant amount of testimony that supported its conclusion that state law remedies for patent infringement are inadequate at best. The Acting Commissioner of Patents and Trademarks testified that:

If States remain immune from suit, patent holders would be forced to pursue uncertain, perhaps nonexistent remedies under State law. . . .

Hearing, at 7-8 (statement of Jeffrey M. Samuels). The President of the American Intellectual Property Law Association ("AIPLA"), William S. Thompson, testified:

In this case there is no balance, since there are no — or at least there are not very effective patent remedies at

the State level. The only effective remedies exist in the Federal courts.

Hearing, at 47. Professor Robert P. Merges of the Boston University School of Law testified:

Thus a patentee such as Marian Chew would apparently have to draft her cause of action as a general tort claim — or perhaps one for restitution — to come within the statute. This might be impossible, or at least difficult, under California law. *Consequently, relief under statutes such as these may not be a true alternative avenue of recovery.*

....

Another problem with the approach is that it assumes that such state law remedies will be available in every state in which the patentee's product is sold. This may or may not be true. In any event, requiring a potential plaintiff (patentee) to ascertain the validity of her claims under the differing substantive and procedural laws of the fifty states may well prove a very substantial disincentive to the commencement of such suits. . . . In short, these remedies are simply no substitute for patent infringement actions.⁸

Hearing, at 33-34 (citation omitted) (emphasis added). This Court has questioned the wisdom and constitutional adequacy of forcing a deprived property owner to seek redress from a state by way of a tort suit:

The Court's decisions suggest that, absent "the necessity of quick action by the State or the impracticality of providing any predeprivation process," a postdeprivation hearing would be constitutionally inadequate. That is particularly true where, as here, the State's only post-

8. In fact, not all states do offer some form of remedy. In the Amicus Brief filed by Ohio and a number of other states, the states allege that "almost every state in the Union" offers a "form of process" and that "virtually no state . . . fails to offer a process by which a patent holder may seek a remedy from an alleged infringement." Brief of *Amici Curiae* States of Ohio et al., p. 2 (emphasis added). The states admit, however, that at least one state — West Virginia — offers no remedy at all. It also is notable that the most that the states claim is that a number of them "offer a process" — not *due process*.

termination process comes in the form of an independent tort action. Seeking redress through a tort suit is apt to be a lengthy and speculative process, which in a situation such as this one will never make the complainant entirely whole. . . .

Logan v. Zimmerman Brush Co., 455 U.S. 422, 436-37 (1982) (citations and footnote omitted).

Professor Merges also testified that the unfamiliarity of state court judges with patent issues would likely diminish patent owners' chances of receiving the due process and just compensation guaranteed by the Fourteenth Amendment:

Recall too that state court judges presumably have little experience in cases involving questions of invention and infringement. . . .

Hearing, at 34 n.14. The President of the AIPLA, William S. Thompson, made the same point in his testimony before Congress:

State courts are ill-equipped to deal with patent law. They have no experience or jurisprudence to guide them. While, as a practical matter they may look to the decisions of the Federal Circuit, they are not bound to do so. It is problematical how conflicts between state applications of patent law and that of the Federal Circuit could be resolved.

Hearing, at 58.

Congress considered a number of prior reported cases of state-sponsored patent infringement and heard testimony predicting an "expected increase in state-related infringement suits":

Most importantly, the cases where sovereign immunity could be a defense are very likely to grow in number. State universities are joining the rush to commercialize the results of basic science in ever-growing numbers. . . . As the universities do so, they move further and further into the commercial realm, making it more likely that they will be involved in an increasing amount of patent litigation.²⁰

²⁰ A quick review of reported cases provides evidence that such a trend is already under way.

Hearing, at 36-37 n.20 (prepared statement of Robert P. Merges) (emphasis added).

Congress also heard testimony predicting that state immunity would breed a growing disrespect for patent property rights:

Whatever might be said about an inherent respect for intellectual property rights, the Attorney Generals of California, Massachusetts, and Virginia successfully avoided infringement liability by their states in *BV Engineering, Lane, Richard Anderson Photography*, and *Chew* because the Supreme Court gave them a valid legal defense. Our fear is that if current legal immunity continues, states will begin to disregard, perhaps carelessly, patent rights, and perhaps in time to knowingly infringe patent rights.

Hearing, at 56-57 (prepared statement of William S. Thompson).

The legislative history underlying the Patent Remedy Act demonstrates that Congress: (1) considered the states' past history of depriving patentees of their property rights; (2) considered information indicating that state-sponsored patent infringement would increase in the future; (3) determined that state law remedies for patent infringement practically are non-existent; (4) considered the fact that state law judges are unfamiliar with patent infringement issues, and therefore would be unlikely to provide patentees with due process or insure that patentees are justly compensated; and (5) explicitly concluded that a federal remedy was necessary to enforce patent owners' Fourteenth Amendment rights against the states. Florida Prepaid's assertion that Congress did not evidence a desire to remedy or prevent unconstitutional state conduct is contradicted by the legislative history of the Patent Remedy Act.

2. Florida Prepaid Applies The Wrong Test In Its Criticism Of The Federal Circuit's Decision

Florida Prepaid contends that the Federal Circuit's decision is flawed because the Court did not examine, on a state by state basis, whether various state remedies satisfy minimal due process requirements:

Rather than looking to whether states have violated the patent code as alleged in the cited lawsuits, the court (and

Congress) should have examined whether states had infringed patents or threatened to do so while also not providing patentees with constitutionally adequate due process under law. Their failure to appreciate this distinction and conduct the proper inquiry is fatal to the constitutionality of the Patent Remedy Act.

Brief for Petitioner, p. 27. Florida Prepaid's argument misapprehends the role of the judiciary in reviewing legislation enacted by Congress under authority of § 5 of the Fourteenth Amendment. In *Morgan*, 384 U.S. at 648-49 (first emphasis added) (footnotes and citation omitted), the Court held:

The Attorney General of the State of New York argues that an exercise of congressional power under § 5 of the Fourteenth Amendment that prohibits the enforcement of a state law can only be sustained if the judicial branch determines that the state law is prohibited by the provisions of the Amendment that Congress sought to enforce. More specifically, he urges that § 4(e) cannot be sustained as appropriate legislation to enforce the Equal Protection Clause unless the judiciary decides — even with the guidance of a congressional judgment — that the application of the English literacy requirement prohibited by § 4(e) is forbidden by the Equal Protection Clause itself. *We disagree. Neither the language nor history of § 5 supports such a construction.* As was said with regard to § 5 in *Ex parte Virginia*, 100 U.S. 339, 345: "It is the power of Congress which has been enlarged. Congress is authorized to *enforce* the prohibitions by appropriate legislation. Some legislation is contemplated to make the amendments fully effective." A construction of § 5 that would require a judicial determination that the enforcement of the state law precluded by Congress violated the Amendment, as a condition of sustaining the congressional enactment, would depreciate both congressional resourcefulness and congressional responsibility for implementing the Amendment. It would confine the legislative power in this context to the

insignificant role of abrogating only those state laws that the judicial branch was prepared to adjudge unconstitutional, or of merely informing the judgment of the judiciary by particularizing the "majestic generalities" of § 1 of the Amendment.

Thus our task in this case is not to determine whether the New York English literacy requirement as applied to deny the right to vote to a person who successfully completed the sixth grade in a Puerto Rican school violates the Equal Protection Clause. . . . [O]ur task is limited to determining whether such legislation is, as required by § 5, appropriate legislation to enforce the Equal Protection Clause (emphasis added).

The Court in *Morgan* prescribed the analysis that courts must employ when reviewing legislation enacted by Congress pursuant to its authority under § 5:

By including § 5 the draftsmen sought to grant to Congress, by a specific provision applicable to the Fourteenth Amendment, the same broad powers expressed in the Necessary and Proper Clause, Art. I, § 8, cl. 18. The classic formulation of the reach of those powers was established by Chief Justice Marshall in *McCulloch v. Maryland*, 4 Wheat. 316, 421:

"Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the constitution, are constitutional. . . ." Correctly viewed, § 5 is a positive grant of legislative power authorizing Congress to exercise its discretion in determining whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment.

....

... It was for Congress, as the branch that made this judgment, to assess and weigh the various conflicting considerations . . . , the adequacy or availability of alternative remedies, and the nature and significance of

the state interest that would be affected. . . . It is not for us to review the congressional resolution of these factors. It is enough that we be able to perceive a basis upon which the Congress might resolve the conflict as it did.

Morgan, 384 U.S. at 650-53 (footnote omitted).

Congress' authority to enforce the substantive guarantees of the Fourteenth Amendment is broad:

Whatever legislation is appropriate, that is, adapted to carry out the objects the [Civil War] amendments have in view, whatever tends to enforce submission to the prohibitions they contain . . . if not prohibited, is brought within the domain of congressional power.

Ex parte Virginia, 100 U.S. 339, 345-46 (1879). See *City of Richmond*, 488 U.S. at 490. Congress' decision that the Patent Remedy Act was necessary to enforce the substantive guarantees of the Fourteenth Amendment is entitled to "much deference." *City of Boerne*, 521 U.S. at 536. The Federal Circuit afforded Congress' decision due deference and reviewed the Patent Remedy Act in accordance with the standard prescribed by this Court to determine whether the Patent Remedy Act is a constitutional exercise of Congress' authority under the Fourteenth Amendment:

[W]e are obliged to consider whether the objective of the legislation [the Patent Remedy Act] is constitutionally legitimate and whether the means crafted by Congress are plainly adapted to achieving this objective.

Pet. App. A at 10a.

3. Congress Enacted The Patent Remedy Act To Enforce The Due Process Clause — The Legislation Plainly Is Adapted To That End, And Is Consistent With The Letter And Spirit Of The Constitution

a. Congress Enacted The Patent Remedy Act To Enforce The Due Process Clause

Congress explicitly declared that it enacted the Patent Remedy Act:

as an acceptable method of enforcing the provisions of the fourteenth amendment. . . . [T]he fourteenth

amendment prohibits a State from depriving a person of property without due process of law. . . . [T]he fourteenth amendment gives Congress the authority to enforce this right.

S. Rep., at 8, 3094 (App. 20a).

b. *The Patent Remedy Act Is Adapted To Further The Aims Of The Due Process Clause*

The Patent Remedy Act insures that states cannot use patented inventions without justly compensating patent owners for the use of their inventions. The Patent Remedy Act also provides: (1) uniform procedures (the Patent Laws) crafted to insure that patentees are compensated for the taking of their inventions; and (2) an experienced, unbiased forum in the federal courts that enforces patent owners' rights against the states. The Patent Remedy Act also insures that a number of substantive provisions in the Patent Laws specifically designed to prevent continued, unauthorized use of patent property (35 U.S.C. § 283), and to deter willful violations of patent owners' rights (35 U.S.C. §§ 284 and 285), apply against the states. In short, the Patent Remedy Act enforces rights guaranteed to patent owners (and other property owners) by the Fourteenth Amendment.

One important way the Patent Remedy Act enforces the guarantees of the Fourteenth Amendment is by providing an experienced, unbiased forum where a patentee can be assured of receiving just compensation for the use of his or her property. The Court long has recognized that the provision of a federal forum can be an effective method of enforcing the Fourteenth Amendment, especially in situations where, as here, state procedures and tribunals are not guaranteed to be adequate to enforce those rights:

[T]here is express authority to protect the rights and immunities referred to in the Fourteenth Amendment, and to enforce observance of them by appropriate congressional legislation. *And one very efficient and appropriate mode of extending such protection and securing to a party the enjoyment of the right or immunity, is a law providing for the removal of his case from a State court, in which the right is denied by the State law, into a Federal court, where it will be upheld.* This is an ordinary

mode of protecting rights and immunities conferred by the Federal Constitution and laws.

Strauder v. West Virginia, 100 U.S. 303, 311 (1879) (emphasis added).

Florida Prepaid contends that Congress should not be permitted to enact legislation insuring that patentees receive due process in the federal courts, because Congress itself created the problem of inexperienced state courts by vesting exclusive jurisdiction for patent infringement actions in the federal courts:

Of course, any inability to bring a patent infringement action in state court is the result of a congressional decision to confer exclusive jurisdiction in patent infringement actions on the federal courts. Thus, to the extent there is insufficient process available to patent owners on that basis, its cause is federal, not state, action.

Brief for Petitioner, pp. 30-31 n.5. Florida Prepaid's argument ignores the importance of uniform procedures and remedies to insure that patentees are afforded due process and just compensation for their inventions. Congress and the Court, however, have recognized the importance of uniformity in protecting the value of patent property:

Since the Patent Act of 1800, Congress has lodged exclusive jurisdiction of actions "arising under" the patent laws in the federal courts, thus allowing for the development of a uniform body of law in resolving the constant tension between private rights and public access. . . . Given the inherently ephemeral nature of property in ideas, and the great power such property has to cause harm to the competitive policies which underlay the federal patent laws, the demarcation of broad zones of public and private right is "*the type of regulation that demands a uniform national rule.*"

Bonito Boats, 489 U.S. at 162-63 (citation omitted) (emphasis added). Florida Prepaid's own brief underscores the importance of uniformity to insure that patentees are not denied their Fourteenth Amendment rights:

That the pursuit of claims through available state processes may result in varying levels of process and relief is endemic of any Due Process Clause analysis. Some states

may provide greater remedies than others, yet all remedies may be constitutionally adequate. Allowing states to decide for themselves appropriate remedies is, after all, consistent with the underlying principles of federalism.⁹

Brief for Petitioner, p. 31 (emphasis added). Patents are national property rights awarded to inventors in exchange for disclosing their inventions to the public. *Bonito Boats*, 489 U.S. at 162-63. To insure that a patentee receives just compensation for the use of his invention, the measure of that compensation must be calculated in a uniform manner. In order to protect patent property rights, those rights must be worth the same amount in Florida as they are in New Jersey.

Under Florida Prepaid's view, "just compensation" in Arkansas can be different than "just compensation" in California, even though both states have taken and are using *the exact same property*. Patent property quickly will lose its value if an invention is worth less in one state than in another. For example, if a federal court determines that a private California infringer must pay a 5% royalty for use of a patented invention, and the State of California concludes that 2% is just compensation for its use of the same invention, the private infringer may not be able to take a license from the patentee at 5% and compete against the state which enjoys a competitive advantage as a result of the lower royalty. The patentee, of course, is likely to lose licensing revenues for the patented invention. Similarly, a patentee may be able to compete against a state that provides "just compensation" of 5%, but may not be able to stay in business competing against a state that provides only 2%. The regime proposed by Florida Prepaid may well encourage private infringers to get into bed with states that provide low "just compensation." Congress, in enacting the Patent Remedy Act, considered testimony from the President of the AIPLA on this very point:

[T]he general trend would be for States to take advantage of this immunity exclusion and the trend would be to gradually deny protection even to the point that there might be — you might get into some gamesmanship in the sense that certain private testing labs might be taken over by the

9. It is notable that even Florida Prepaid does not assert that all states' remedies are "constitutionally adequate."

States to secure this extra advantage in cases. Hearing, at 56-57.

"Just compensation" for a piece of land in Nevada may well be different than "just compensation" for land in Ohio. Just compensation for a patented invention, however, should be measured using the same criteria throughout the country. The only way to insure that patentees whose inventions are taken by the states receive just compensation is to provide a uniform set of rules applied by a tribunal guided by a uniform set of procedures. That is exactly what the Patent Remedy Act provides.

Florida Prepaid asserts that:

Without the Patent Remedy Act, patentees who believe they have suffered state-sponsored patent infringement retain their property, and will remain able to sell or license the patented invention to others, and "recoup the expenses involved with the discovery of important inventions" for their efforts.

Brief for Petitioner, p. 35. The only property right that patent owners have, however, is the right to exclude. *Bloomer*, 55 U.S. at 549. If patentees cannot exclude states and their agents from using patented inventions, a significant blow has been dealt to the only property right vested in a patentee. A patentee's ability to recoup expenses and earn profits through sales and licensing is substantially undercut when a state competitor and its agents are permitted to use a patentee's invention for free or at prices below market.¹⁰

10. Florida Prepaid also argues that: "In fact, should Florida or other states refuse to provide constitutionally-adequate due process to patentees, review by this Court is still available to remedy such failure." Brief for Petitioner, p. 29 n.13. The same is true of any right guaranteed by the Fourteenth Amendment. In the absence of the anti-discrimination statute at issue in *Fitzpatrick*, for example, the plaintiff could have pursued any remedies available in the state court system, and then appealed to this Court. Congress' authority to enact legislation enforcing the guarantees of the Fourteenth Amendment is not limited to the rare scenario where a person could not first seek redress from the state and review by this Court. Congress is authorized to enact legislation that increases the likelihood that the guarantees of the Fourteenth Amendment are not abridged, that improves the process of seeking

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The Patent Remedy Act is adapted to enforce the Due Process Clause of the Fourteenth Amendment. The statute insures that a state that takes a patented invention pays an amount "adequate to compensate for the infringement . . . for the use made of the invention. . . ." The Patent Remedy Act deters states that willfully and knowingly use patented inventions without license and without paying compensation. The Patent Remedy Act provides uniform procedures designed to provide due process to patent owners whose property has been taken, and courts experienced in adjudicating patent issues more likely to provide due process and just compensation.

The states, in contrast, provide at best varying remedies that are not designed to provide and do not assure that patentees will be paid just compensation for the use of their inventions. To the extent procedures and tribunals are available in the states to address patent infringement, those procedures are not designed to accommodate the issues that arise in patent infringement cases, and those tribunals are not equipped to insure that patentees receive just compensation. The states propose a system where the value of invention would differ from state to state, a system that inevitably will diminish the value of patent property rights. Uniform remedies and procedures are necessary to assess the value of patent property and to insure that just compensation is paid to patent owners whose property has been taken by the states. Congress recognized this and acted to enforce patentees' Fourteenth Amendment rights against the states by providing patent owners with procedures and a remedy in the form of an action for patent infringement in the federal courts.

4. *City of Boerne*

Florida Prepaid contends that the Patent Remedy Act does not comport with the standard set forth by the Court in *City of Boerne*. The facts in *City of Boerne* are different and distinguishable from the facts of this case. If anything, *City of Boerne* supports the

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redress, and, by assuring compliance with the Fourteenth Amendment, makes review by this Court less necessary. Florida Prepaid's proposed scheme also provides no deterrence to states intent on infringing patents. It is no answer to say that in the absence of congressional legislation, a patentees' rights ultimately may be upheld by this Court after pushing a Sisyphean stone up the hill of inadequate state law procedures and remedies.

constitutionality of the Patent Remedy Act because the Court's decision reaffirms prior holdings that there is " 'no doubt of the power of Congress to enforce by appropriate . . . sanction every right guaranteed by the Due Process Clause of the Fourteenth Amendment.' " 521 U.S. at 519 (citation omitted).

In *City of Boerne*, the Court held that the Religious Freedom Restoration Act ("RFRA") was unconstitutional because — unlike the Patent Remedy Act — it does not *enforce* a right guaranteed by the Fourteenth Amendment. The Court determined that RFRA altered and created, rather than enforced, rights guaranteed by the Fourteenth Amendment:

Legislation which alters the meaning of the Free Exercise Clause cannot be said to be enforcing the Clause. Congress does not enforce a constitutional right by changing what the right is. It has been given the power "to enforce," not the power to determine what constitutes a constitutional violation. Were it not so, what Congress would be enforcing would no longer be in any meaningful sense, the "provisions of [the Fourteenth Amendment.]"

521 U.S. at 519. The Court also stated that:

Legislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power *even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into "legislative spheres of autonomy previously reserved to the States."*

* * *

It is for Congress in the first instance to "determin[e] whether and what legislation is needed to secure the *guarantees* of the Fourteenth Amendment," and its conclusions are entitled to much deference.

521 U.S. at 518, 536 (citations omitted) (emphasis added).

The Patent Remedy Act was enacted to remedy and deter constitutional violations. Unlike RFRA, the Patent Remedy Act creates no new rights — it *enforces* rights to due process and just compensation specifically guaranteed by the Fourteenth Amendment. The Patent Remedy Act also applies to the states provisions in the

Patent Laws designed to deter the knowing and willful taking of patent property without compensation to the patent owners. The rights that the Patent Remedy Act enforces are at the very core of the Fourteenth Amendment — the right to due process and just compensation when a state takes private property.

There is no doubt that Congress enacted the Patent Remedy Act to “remedy” and “deter” a clear constitutional violation — the taking of privately-owned patent property by states without due process of law and just compensation. The legislative history shows that Congress intended the Patent Remedy Act to be a “remedial” statute designed to “rectify” problems associated with state-sponsored infringement:

This legislation will *rectify* the situation and provide uniform protections throughout the patent and trademark systems.

S. Rep., at 9, 3095 (App. 21a-22a). Congress based its decision to enact the Patent Remedy Act in part on testimony that:

It is very clear to us that now we have the issue in connection with I think that the decision is so clear that there is likely not to be another patent litigation against the States unless there is *remedial legislation*.

Hearing, at 46 (statement of William S. Thompson) (emphasis added).

Congress cited a number of reported instances of state-sponsored patent infringement as a basis for its decision to enact the Patent Remedy Act.¹¹ S. Rep., at 3-4, 3089-90 (App. 10a-11a); Hearing, at 30-32. Congress also considered testimony that state-sponsored patent infringement is on the rise. Congress specifically cited the fact that Chew was left “without recourse” by the Federal Circuit’s holding in *Chew*. Congress determined that, in light of the harm caused by state-sponsored deprivation¹² of patent rights, it was necessary to provide

11. There is no way to know, of course, how many *unreported* instances of state-sponsored patent infringement existed at the time Congress enacted the Patent Remedy Act. The states’ reliance on sovereign immunity, of course, created an almost insurmountable obstacle preventing patent owners from seeking redress for infringement by states.

12. Florida Prepaid argues that under *Daniels v. Williams*, 474 U.S. 327 (1986), state-sponsored patent infringement does not amount to a

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patentees like Chew with some recourse and a remedy. Congress enacted “remedial legislation” to assure that patent owners who have been deprived by states of their property rights will have recourse to procedures crafted to provide a remedy that comports with the requirements of the Fourteenth Amendment. The rights that Congress acted to enforce — the right to just compensation and due process — are firmly established in the Fourteenth Amendment.

Florida Prepaid argues that the Patent Remedy Act does not comply with *City of Boerne* because it “is grossly incongruent to the end of redressing governmental patent infringement.” Brief for Petitioner, p. 13. Florida Prepaid is wrong. The damages available in patent infringement actions under the Patent Remedy Act are designed to justly *compensate* patent owners whose patent property has been taken and used by infringing states: “[U]pon finding for the claimant the court shall award the claimant damages *adequate to compensate for the infringement . . . for the use made of the invention by the infringer.*” 35 U.S.C. § 284 (emphasis added). It is hard to understand how Florida Prepaid can claim that this measure of damages is “grossly incongruent” to the end of compensating patent owners for the states’ use of their property. Payment of damages sufficient to compensate the patent owner for the value of the improper use of the patented property satisfies the states’ constitutional obligation under the Fourteenth Amendment to pay just compensation to patent owners whose right to exclude is violated by the states.

Florida Prepaid erroneously asserts that the Patent Remedy Act

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of property for purposes of the Fourteenth Amendment. *Daniels*, however, only applies to cases where “a *negligent* act of an official cause[s] unintended loss of . . . property. . . .” To the extent patent infringement can be characterized as a tort, it is an intentional tort akin to the intentional tort of trespass — not an unintentional tort sounding in negligence. *Heath v. A.B. Dick Co.*, 253 F.2d 30, 34 (7th Cir. 1958) (“Infringement of a patent is a tort or wrong; it is a trespass on the property rights of the patentee, or at least it is analogous to a trespass.”) The *Daniels* line of cases also only applies to “tortious loss of . . . property as a result of a random and unauthorized act by a state employee . . . not a result of some established state procedure.” *Logan*, 455 U.S. at 435-36 (citation omitted). *Daniels* applies to random, unauthorized, negligent acts of state officials, not to intentional state action like patent infringement. Florida Prepaid’s contention that patent infringement is not a constitutionally-cognizable deprivation of property flies in the face of a century of this Court’s precedent. *Supra*, pp. 19-20.

makes states that “unknowingly infringe a patent” liable for damages. Patentees are required to put the public — including states — on notice of their patent rights before they can collect damages. In order to collect damages, a patent owner must mark the patented product or otherwise notify an alleged infringer of the patentee’s patent rights:

In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.

35 U.S.C. § 287(a). *See also Bonito Boats*, 489 U.S. at 162 (“availability of damages in an infringement action is made contingent upon affixing a notice of patent to the protected article”).

Florida Prepaid complains that:

[t]he Patent Remedy Act may be invoked to attack state conduct in federal court whenever a patent owner feels, correctly or incorrectly, that his patent rights have been impinged.

Brief for Petitioner, p. 33. This argument applies to any lawsuit — not just to actions under the Patent Remedy Act. Any time Congress properly exercises its constitutional authority and enacts legislation abrogating the states’ immunity, there is some chance that a plaintiff may “incorrectly” believe that her “rights have been impinged.” Florida Prepaid’s argument proves too much — Congress could never abrogate the states’ immunity to enforce rights guaranteed by the Fourteenth Amendment because a person may “incorrectly” believe that his rights have been violated. Counsel for plaintiffs asserting actions under the Patent Remedy Act, of course, must comply with Rule 11, Fed. R. Civ. P. and certify that there is a good faith belief in allegations of infringement asserted in the pleadings. The correctness of a patentee’s belief that a state is infringing is a question for the courts — not the states — to decide.

Throughout its brief, Florida Prepaid argues that the problem of state-sponsored patent infringement is *de minimus* and therefore not worthy of an exercise of Congress’ Fourteenth Amendment powers. When it seeks to avoid the consequences of state-sponsored patent

infringement, however, Florida Prepaid argues to the contrary, predicting massive increases in infringement suits against the states and asserting that

[t]here is an unlimited range of state conduct, from ordinary ministerial acts to the providing of core governmental services like education, that may expose a state to claims of . . . patent infringement.

Brief for Petitioner, p. 33 n.17. Florida Prepaid cannot have it both ways. In any event, there is not “an unlimited range of state conduct” that falls within the scope of the Patent Remedy Act. Because only *infringing* conduct falls within the scope of the statute, the number and invasiveness of infringement actions against the states is largely in the hands of the states themselves. States that respect patent property rights will not be sued for infringement.

Florida Prepaid asserts that:

A chilling effect on state activities will inevitably result should this Court uphold the Patent Remedy Act because states will reasonably be hesitant to engage in conduct for the benefit of the public that may directly and tangentially impact patent rights. . . .

Brief for Petitioner, p. 36. Florida Prepaid’s assertion sounds more like an endorsement of the Patent Remedy Act than a criticism. If the Patent Remedy Act causes “a chilling effect” on *infringing* state activities, the statute should be deemed a success. A state should be “hesitant” before it tramples on the rights of citizens. The fact that Florida Prepaid acknowledges the Patent Remedy Act will deter unlicensed and uncompensated state-sponsored deprivation of patent property is a testament to Congress’ ability to enact legislation enforcing the guarantees of the Fourteenth Amendment and, therefore, to the constitutionality of the statute.

Florida Prepaid complains that the Patent Remedy Act provides for injunctions to prevent infringing states from committing further acts of infringement. This argument is contradicted by Florida Prepaid’s recommendation that an appropriate remedy would be for CSB to seek an injunction under *Ex parte Young*, 209 U.S. 123 (1908). Moreover, Florida Prepaid never explains what right the states have to take a patent owner’s patent property in the first place, even with

due process and just compensation. This issue was squarely framed by seven other states in an amicus brief submitted to the Federal Circuit:

Even if we accept that the Patent Act creates a property right deserving of Fourteenth Amendment protection, it is not clear that the provisions of the Patent Act can be appropriate legislation under that Amendment *in the face of a state's unquestioned right to take property for the public good and in the face of the Eleventh Amendment.*

July 11, 1997 Brief of *Amici Curiae* Texas et al., p. 13 (emphasis added). CSB questions the states' right to take CSB's patent property. Neither the states, nor Florida Prepaid, cite any authority to support the extraordinary proposition that a state has an "unquestioned right" to take the property of a citizen of another state when the property is not located within the boundaries of the taking state. Under the states' view, the State of Florida would have an "unquestioned right" to go to CSB's headquarters in New Jersey to condemn and take CSB's real property, together with CSB's patent property. This cannot be. The states, unlike the United States, do not have eminent domain power over property owned by citizens in other states. If the federal government gave a person a seventeen-year lease to a federal building in Washington, D.C., neither Texas, nor any other state, has any power or authority to condemn and use that property even with due process and just compensation. Infringement of United States patents does not fall within the sovereign power of the states.¹³

13. The Court held in *Bonito Boats*, 489 U.S. at 152, that the State of Florida could not offer patent-like protection to unpatented articles because "state regulation must yield to the extent that it clashes with the balance struck by Congress in our patent laws." That balance is "a carefully crafted bargain that encourages both the creation and public disclosure of new and useful advances in technology, *in return for an exclusive monopoly* for a limited period of time." *Pfaff v. Wells Electronics, Inc.*, __ U.S. __, 119 S. Ct. 304, 310 (1998) (emphasis added). A state's taking of a citizen's patent property "clashes with the balance struck by Congress" as much or more than a state's making patent property. Allowing states the unfettered right to take patent property would frustrate exactly the same constitutional aims the Court upheld in *Bonito Boats*. If a state may not increase the scope of patent protection, it certainly may not decrease the scope of that protection.

Florida Prepaid argues that "[e]xposing states to . . . treble damages, and attorney's fees in suits brought in federal court is both unduly intrusive and harmful to states." Brief for Petitioner, p. 32. Treble damages and attorney fees can be awarded, however, only in "exceptional" circumstances. 35 U.S.C. § 285. Willful and deliberate infringement is an example of circumstances that may be deemed "exceptional." Florida Prepaid admitted in its Petition for Writ of Certiorari that attorney's fees are "remedies . . . normally applied . . . when exceptionally strong deterrence is required. . . ." Brief for Petitioner, p. 32. The same rationale applies to the states. States that are inclined to willfully and deliberately violate the constitutional rights of patent owners should face "exceptionally strong deterrence." Congress specifically addressed the question of the propriety of subjecting states that willfully infringe to treble damages:

The Thurmond-Grassley amendment also contained language which would have eliminated recovery of treble damages against the States. The standard for recovering treble damages in a patent suit is very difficult to attain. A plaintiff must prove that the infringement was willful under 35 U.S.C. § 284. . . .

The fact that treble damages are awarded in only the most flagrant cases is justification for the retention of the remedy. The standard currently utilized protects defendants, including States, from undue hardship, extending liability only when the court finds the conduct to be so offensive that treble recovery is justified. There is no reason to extend liability to the States, but to then limit it in instances where the States' improprieties are particularly egregious.

S. Rep., 10-11, 3096-97 (App. 24a-25a).

This Court has acknowledged that legislation providing for an award of attorney's fees can be an appropriate method of enforcing the guarantees of the Fourteenth Amendment:

Moreover, even if the Eleventh Amendment would otherwise present a barrier to an award of fees against a State, Congress was clearly acting within its power under § 5 of the Fourteenth Amendment in removing that barrier.

Under § 5 Congress may pass any legislation that is appropriate to enforce the guarantees of the Fourteenth Amendment. *A statute awarding attorney's fees to a person who prevails on a Fourteenth Amendment claim falls within the category of "appropriate" legislation . . .* We agree with the courts below that Congress was acting within its enforcement power in allowing the award of fees in a case in which the plaintiff prevails on a wholly statutory, non-civil-rights claim pendent to a substantial constitutional claim. . . .

Maher, 448 U.S. at 321 (emphasis added). See also *Fitzpatrick*, 427 U.S. at 456-57.

Florida Prepaid complains that under the Patent Remedy Act: "each state is also subject to being sued in every other state in the country, as illustrated here where a Florida state agency has been forced to defend itself in New Jersey." Brief for Petitioner, p. 38. Florida Prepaid fails to explain that the reason it "has been forced to defend itself in New Jersey" is because it is doing business in New Jersey in competition with CSB. Florida Prepaid entered into contracts with New Jersey residents pursuant to which Florida Prepaid agreed to administer its prepaid college tuition program using methods and apparatus described and claimed in CSB's '055 patent. Florida Prepaid never has alleged that the District Court in New Jersey lacks personal jurisdiction over Florida Prepaid. Florida Prepaid's argument to the contrary notwithstanding, states may be sued in federal courts located in other states only when they, like Florida Prepaid, are doing business in, or have contacts with, those other states. Florida Prepaid's argument comes with ill-grace from an infringer that has elected to profit — to the detriment of a New Jersey-based patent owner — from the marketing and sale of its infringing program and contracts outside the boundaries of Florida.

C. A PATENTEE NEED NOT EXHAUST STATE REMEDIES BEFORE INVOKING THE PROTECTION OF THE PATENT REMEDY ACT

Florida Prepaid contends that: "patentees should be required to exhaust the available state remedies before any due process violation can be found." Brief for Petitioner, p. 29. Florida Prepaid confuses

two factually different situations governed by different precedent. Exhaustion of state remedies is required *only in situations where Congress has not enacted a federal remedy to enforce rights enumerated in the Fourteenth Amendment*. When Congress has created legislation — like the Patent Remedy Act — to enforce the guarantees of the Fourteenth Amendment, there is no requirement that avenues of relief that may be available in the state be exhausted. In *Monroe v. Pape*, 365 U.S. 167, 183 (1961), the Court held:

It is no answer that the State has a law which if enforced would give relief. The federal remedy is supplementary to the state remedy, and the latter need not be first sought and refused before the federal one is invoked. Hence the fact that Illinois by its constitution and laws outlaws unreasonable searches and seizures is no barrier to the present suit in the federal court.¹⁴

See also *Patsy v. Board of Regents of Florida*, 457 U.S. 496, 506-07 (1982).

The cases that Florida Prepaid cites in support of its argument, such as *Williamson County Regional Planning Comm'n v. Hamilton Bank of Johnson City*, 473 U.S. 172, 194-95 (1985), are inapposite to the question of the circumstances under which an individual may invoke a federal remedy enacted to enforce the Fourteenth Amendment. The holding in *Williamson* that the respondent's "taking claim [was] not yet ripe [because] respondent [had] not [sought] compensation through the procedures the State has provided for doing

14. Florida Prepaid attempts to distinguish *Monroe* by artificially limiting the Court's holding in that case. Florida Prepaid asserts that *Monroe* really stands for the proposition that a person can invoke a federal remedy only when the state already has committed a constitutional violation. This limited reading of *Monroe*, however, finds no support in the language or rationale of the decision. If Florida Prepaid is right, Congress could not enact legislation to deter constitutional violations because a person could never avail themselves of the benefits of the legislation until after a constitutional violation occurs. Congress plainly is authorized to enact legislation to insure that constitutional violations do not occur, and to enhance the likelihood that states respect Fourteenth Amendment rights. Congress' ability to enact remedial legislation to cure problems caused by inadequate state law remedies and procedures would be eviscerated if individuals were forced to first exhaust those inadequate remedies and procedures. This is the holding of *Monroe*.

so" only applies to situations where Congress has not enacted remedial legislation. 473 U.S. at 194 (citation omitted). CSB did not assert a takings claim or a due process violation against Florida Prepaid — it asserted a patent infringement claim under the Patent Remedy Act. Congress enacted the Patent Remedy Act because it believed that state remedies and procedures were not adequate to insure the vindication of patentees' Fourteenth Amendment rights. It would make no sense if patentees were required to avail themselves of state remedies prior to invoking federal procedures and remedies crafted in response and designed to avoid the constitutional infirmities of state procedures and remedies. *Monroe*, not *Williamson*, controls the question whether a patentee need exhaust state law remedies before invoking the protection of the Patent Remedy Act. *Monroe*'s answer to that question plainly is no.

D. EX PARTE YOUNG DOES NOT PROVIDE PATENT OWNERS WITH DUE PROCESS OR JUST COMPENSATION WHEN A STATE TAKES A PATENTEE'S PROPERTY

Florida Prepaid contends that:

CSB enjoyed, and still enjoys, several options other than suing Florida Prepaid in New Jersey district court for patent infringement, but it has resolved to ignore them altogether. For instance, CSB *arguably* can pursue an action in federal court for injunctive relief under the authority of *Ex parte Young*, 209 U.S. 123 (1908). . . . Such relief could ensure Florida's compliance with federal law while preserving CSB's patent property.

Brief for Petitioner, p. 27 (citation omitted) (emphasis added).

The relief that may be available to patent owners under *Ex parte Young* is insufficient to enforce the guarantees of the Fourteenth Amendment. The remedy available to patent owners by way of an *Ex parte Young* action — the possibility of a prospective injunction after a long and expensive legal battle with a state — offers no compensation to the owner of a patent deprived of his property by a state, and serves as no deterrent to the states. It is not surprising that the states would prefer to use patent property for years, with no risk of being held accountable to compensate patent owners whose

property they have taken. No compensation for a past taking is hardly "just" and more process before (or after) such a taking plainly is "due" under the express guarantees of § 1 of the Fourteenth Amendment.

E. FLORIDA PREPAID WAIVED ANY CLAIM OF ELEVENTH AMENDMENT IMMUNITY

The Federal Circuit noted that it did not reach CSB's arguments that Florida Prepaid waived any claim of Eleventh Amendment immunity it may have had: (1) by its conduct in this action; and (2) under the constructive waiver doctrine of *Parden*. Pet. App. A at 1a-2a.

For the reasons and under the authorities set forth at pages 41-44 of the September 24, 1997 Brief for Plaintiff-Appellee that CSB filed in the Federal Circuit, CSB submits that Florida Prepaid waived any claim of Eleventh Amendment immunity it may have had by appearing in this action, by moving under 28 U.S.C. § 1404(a) to transfer this action from one district court to another of its choosing "where it might have been brought," and by affirmatively asserting a counterclaim for a judgment declaring CSB's '055 patent invalid, not infringed and unenforceable.

For the reasons and under the authorities set forth at pages 35-41 of the September 24, 1997 Brief for Plaintiff-Appellee that CSB filed in the Federal Circuit, CSB submits that: (1) *Parden* was not overruled by implication by the Court's decision in *Seminole Tribe*; (2) *Parden* applies in this case; and (3) under *Parden*, Florida Prepaid waived any claim of Eleventh Amendment immunity by continuing to market and administer a prepaid college tuition program that infringes CSB's '055 patent after Congress enacted the Patent Remedy Act in 1992. CSB's arguments about the continuing vitality of *Parden* and the reasons why *Parden* applies to Florida Prepaid's commercial activities in connection with its prepaid college tuition program are set forth at pages 36-42 of the February 22, 1999 Brief for Petitioner that CSB submitted to this Court in Case No. 98-149 on Writ of Certiorari to the United States Court of Appeals for the Third Circuit. The arguments and authorities advanced in CSB's Brief for Petitioner in Case No. 98-149 apply with equal force here.

CONCLUSION

The Federal Circuit's decision should be affirmed. This case should be remanded to the United States District Court for the District of New Jersey for trial of CSB's action for patent infringement against Florida Prepaid.

Respectfully submitted,

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APPENDIX

**APPENDIX A — ADDITIONAL CONSTITUTIONAL
AND STATUTORY PROVISIONS INVOLVED**

Article I, Section 8, Clause 5 provides that:

The Congress shall have power . . .

* * *

[t]o coin Money, regulate the Value thereof, and
of foreign Coin, and fix the Standard of Weights
and Measures. . . .

The Fifth Amendment of the United States Constitution
provides, in pertinent part:

[N]or shall private property be taken for public
use, without just compensation.

28 U.S.C. § 1338(a) provides that:

The district courts shall have original
jurisdiction of any civil action arising under any
Act of Congress relating to patents, plant variety
protection, copyrights and trade-marks. Such
jurisdiction shall be exclusive of the courts of the
states in patent, plant variety protection and
copyright cases.

28 U.S.C. § 1404(a) provides that:

For the convenience of parties and witnesses,
in the interest of justice, a district court may
transfer any civil action to any other district or
division where it might have been brought.

Appendix A

28 U.S.C. § 1498 provides, in pertinent part, that:

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. Reasonable and entire compensation shall include the owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention by or for the United States. Notwithstanding the preceding sentences, unless the action has been pending for more than 10 years from the time of filing to the time that the owner applies for such costs and fees, reasonable and entire compensation shall not include such costs and fees if the court finds that the position of the United States was substantially justified or that special circumstances make an award unjust.

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation

Appendix A

for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used.

28 U.S.C. § 2201 provides, in pertinent part:

(a) In a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any

Appendix A

such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2202 provides that:

Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment.

35 U.S.C. § 284 provides that:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

Appendix A

35 U.S.C. § 285 provides that:

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

35 U.S.C. § 287(a) provides that:

(a) Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word patent or the abbreviation pat., together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was noticed of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

APR 9 1999

CLERK

IN THE
Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR PETITIONER

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ARGUMENT

The Patent Remedy Act is unconstitutional on several grounds. First, it impermissibly allows Congress to bootstrap its enforcement powers found in § 5 of the Fourteenth Amendment to protect Article I property interests in derogation of the Eleventh Amendment, without respect for this Court's decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996) ("*Seminole Tribe*"). Because Congress's Article I powers are limited by the Eleventh Amendment, Congress cannot use the Patent Clause to create a statutory right to exclude others from an invention that authorizes patent owners to sue states in federal court. Unlike property derived from common or state law, patents are not the sort of property enforceable by Congress through § 5 abrogating legislation.

Next, even if patents are protectable property, the legislation violates the clear requirements of this Court's ruling in *City of Boerne v. Flores*, 521 U.S. 507, 117 S. Ct. 2157 (1997) ("*City of Boerne*"), because the Act does not remedy or deter unconstitutional state conduct. "State sponsored patent infringements" do not amount to constitutional wrongs unless and until states engage in such conduct without providing patentees just compensation or due process of law.

Congress's discretion is not so unlimited that it may identify a property interest and then simply abrogate state immunity to protect that interest. Congress had no evidence and made no findings that states will not provide patentees with adequate process or remedies for any alleged state infringements -- Congress did not even realize that was the relevant inquiry. As a result, it never examined the available state remedies that provide constitutionally-adequate process to patent owners such as takings claims, state tort claims, and legislative claims bills.

Assuming *arguendo* that Congress validly enacted the Patent Remedy Act to enforce the Due Process Clause, the abrogating legislation must be limited to remedying instances where a particular state's own process does not satisfy constitutional requirements. Moreover, state processes and remedies can only be meaningfully evaluated if patent related claims are pursued there to completion -- that is the only time a Due Process violation would manifest itself. *Williamson County Regional Planning Comm'n v. Hamilton Bank of Johnson City*, 473 U.S. 172 (1985) ("*Williamson*"). Here, CSB bypassed available state remedies entirely. The Patent Remedy Act is unconstitutional if applied against states such as Florida that meet constitutional standards.

Even if Congress had identified instances of inadequate due process or compensation by one or more states, the means imposed by the Patent Remedy Act -- abrogating the immunity of all states -- lacks congruence and proportionality to the goals Congress seeks to achieve. Moreover, the Act unnecessarily intrudes into important and core governmental functions, has a significant impact on state treasuries, and affects all areas and types of state activity. Given the historical purpose of the Eleventh Amendment, Congress's desire to treat states like private parties rather than as sovereigns can never be congruent with a proper end to be achieved. Congress's further desire for *uniform* procedures and remedies among the various states cannot override the Eleventh Amendment.

In enacting the Patent Remedy Act, Congress usurped this Court's power to define the scope of the Constitution both when bringing patents within § 5's ambit and by redefining the level of process that must be afforded to patentees who allege patent infringement against the states. Congress's attempt to enforce patents against states in federal court, therefore, is "substantive in operation and effect." As a result, it is unconstitutional when evaluated consistent with the teachings of *City of Boerne*.

I. THE ELEVENTH AMENDMENT PREVENTS CONGRESS FROM CREATING A PROPERTY RIGHT UNDER ARTICLE I ENFORCEABLE AGAINST STATES IN FEDERAL COURT.

While the parties and their amici do not dispute that patents are a species of property, they disagree sharply about the significance of the fact that patents are created by Congress in exercise of its Article I powers. As shown by Florida Prepaid and its amici, it is improper for respondents merely to label patents as "property" and end the inquiry there. Instead, the limits of Congress's Article I powers to create patent rights must be considered when deciding whether an alleged deprivation of patent rights without due process of law can even be redressed by abrogating legislation.

According to the United States, Congress has the discretion to select which Article I interests are "property" for purposes of the Fourteenth Amendment's Enforcement Clause, thus preventing the exercise of § 5 powers from becoming co-extensive with Congress's powers under Article I. US Br. 18. When saying so, however, the government does not attempt to provide any limits on Congress's discretion in deciding when and how § 5 applies to interests created under Article I. *See City of Boerne*, 117 S. Ct. at 2172 ("Congress's discretion is not unlimited").

The respondents believe that if a "legitimate" property interest is identified, Congress is free from the constraints of *Seminole Tribe* and has the discretion to fashion "enforcing" legislation under § 5 to protect those Article I rights. US Br. 19; CSB Br. 21. But they fail to examine whether patents are in fact "property" protectable under the Fourteenth Amendment; both Congress and the respondents are satisfied to label patents as "property" without further analysis.

The respondents' position falters because Article I cannot be used to circumvent constitutional limitations placed upon federal jurisdiction, regardless of whether it is judiciously applied. *Seminole Tribe*, 116 S. Ct. at 1132.¹ While the United States claims the purpose of the Patent Clause was to allow Congress to confer property rights on inventions, US Br. 19, Congress's Article I powers are subject to the limitations imposed by the later-enacted Eleventh Amendment. As shown by *Seminole Tribe*, the "bundle" of statutory property rights embodying the right to exclude others from the patented invention created by Congress under its Article I powers cannot expand Article III jurisdiction to authorize patent suits against the states in federal court.

CSB's contention that the origin of the property interest is "irrelevant" to the analysis of whether Congress has power to abrogate Eleventh Amendment immunity to enforce it is plainly wrong. CSB Br. 24. The bundle of property rights granted under a patent is limited to those prescribed by Congress. See *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923) (quoting *Gayles v. Wilder*, 51 U.S. 477, 494 (1850) ("[T]he patent monopoly did not exist at common law . . . It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes.")). More importantly, the rights are limited to those that *can* be prescribed by Congress. *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803).

After the Eleventh Amendment was passed, the statutory right to exclude others from an invention created by Congress under the Patent Clause could not include a right to sue states in

1. See also Bohannon and Cotter, *When The State Steals Ideas: Is The Abrogation Of State Sovereign Immunity From Federal Infringement Claims Constitutional In Light Of Seminole Tribe?*, 67 Fordham L.R. 1435 (1999) (concluding that the Patent Remedy Act is unconstitutional).

federal court. See UC Br. 8. The right afforded a patentee is the right to pursue certain remedies to preserve a limited monopoly on his invention -- nothing more. If Congress can create such a right and then bootstrap the Enforcement Clause of § 5 to enforce those remedies against the states in federal court, *Seminole Tribe* was a meaningless exercise.

The United States attempts to refute Florida Prepaid's construction of *Seminole Tribe* by suggesting that Florida Prepaid has confused the substance of the property interest (the right to exclude others from use of the claimed invention) with the means adopted by Congress to enforce that interest (the federal court forum adopted by Congress to protect that interest). See US Br. 18 n.3. As support, it points to this Court's statements in *Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532, 541 (1970), that "property cannot be defined by the procedures provided for its deprivation" and that "the categories of substance and procedure are distinct." *Id.* The United States, however, overlooks that the only substance to the right to exclude embodied in a patent is the right to invoke judicial protection, so that the right to sue is a part of the substantive property interest, not merely a procedure for enforcing it. See UC Br. 4-9.

Moreover, the facts of *Loudermill* highlight a critical difference between patent property and other forms of property. In that case, the property interest at issue was a right to continued employment, an interest expressly created under state statutory law. 470 U.S. at 538. As this Court explained:

Property interests are not created by the Constitution, "they are defined by existing rules or understandings that stem from an independent source such as state law . . ."

Id. (quoting *Board of Regents v. Roth*, 408 U.S. 564, 577 (1972)). Unlike the property interests at issue in such cases, a patent is

property created under statutory powers granted to Congress by the Constitution. As a result, a patent is subject to the limits imposed by the Eleventh Amendment on Congress's ability to create property rights under Article I which do not affect a common law property right in land or a state law property right in employment.

Far from being irrelevant, the fact that patents originate from Article I places them squarely within the parameters of *Seminole Tribe*. As Florida Prepaid explained, *Seminole Tribe* does not mean Congress cannot create property rights under Article I or even that patents are not property, but it does mean whatever rights are created by Congress under Article I do not include having the statutory right to exclude others from the invention enforced against states by suit in federal court. Absent a constitutional amendment, Congress cannot subject states to patent suits in federal court because it lacks the power to create a property interest under Article I that trumps the Eleventh Amendment.

II. THE PATENT REMEDY ACT DOES NOT REMEDY OR REDRESS CONSTITUTIONAL WRONGS AS IS REQUIRED BEFORE CONGRESS MAY ABROGATE STATES' IMMUNITY.

As settled by *City of Boerne*, states' immunity from suit in federal court cannot be abrogated by Congress under § 5 unless the abrogating legislation in the first instance deters or remedies unconstitutional state conduct. Even if there is a constitutionally-protectable property interest at issue here, a state must also "deprive" the owner of that property, and effect such deprivation "without due process of law." The Patent Remedy Act fails to meet this test because state patent infringement is not a due process violation, and Congress lacks the power to define new constitutional wrongs. Further, there is no evidence that states

have or will otherwise engage in unconstitutional conduct relating to patents. Finally, even if Congress had identified a constitutional injury for the Patent Remedy Act to remedy or deter, the means selected still lack proportionality to the end to be achieved.

A. Congress Erred in Equating State Patent Infringements To Due Process Violations.

Florida Prepaid already has shown that patents are not property enforceable by Congress's § 5 powers through abrogating legislation and has explained why most state infringement does not amount to a "deprivation" under the Constitution.² Even accepting respondents' contention that patents are property entitled to § 5 relief, mere patent infringement by a state is not a constitutional wrong.

The deprivation by state action of a constitutionally protected interest in "life, liberty or property" is not itself unconstitutional; what is unconstitutional is the deprivation of such an interest without due process of law.³

Zinerman v. Burch, 494 U.S. 113, 125 (1990), citing, *Parratt v. Taylor*, 451 U.S. 527 (1981).

2. As the United States implicitly acknowledges, proof of a constitutional-level "deprivation" would also be a jurisdictional prerequisite for a federal suit under the Patent Remedy Act. US Br. 39-42; see Florida Prepaid Br. 25 n.10. However, that hurdle would never be reached due to the absence of any denial of due process by the states.

3. No party has alleged that pre-deprivation remedies are required to satisfy due process. Florida Prepaid Br. 31, n.16. The issue, then, is whether Congress legitimately assumed that states' post-deprivation remedies for patent infringement would fail to provide due process.

The respondents maintain that Congress has broad discretion to decide not only what interests implicate substantive Due Process Clause guarantees, thereby triggering Congress's § 5 abrogating powers, but also what process should be provided when those interests are allegedly impaired by states. *See, e.g.*, US Br. 20. The enforcement power afforded Congress under § 5, however, is not so unlimited. *City of Boerne*, 117 S. Ct. at 2163.

While Congress can enact legislation under § 5 to enforce the Due Process Clause, Congress cannot "decree the substance of the Fourteenth Amendment's restrictions on the states" simply by declaring that patent infringement effects a deprivation of property without due process. *Id.* If Congress can "define its own powers by altering the Fourteenth Amendment's meanings," the constitution is no longer the "superior paramount law, unchangeable by ordinary means." *Id.* at 2168.

When enacting the Patent Remedy Act, Congress should have determined that patents were being infringed by states in an unconstitutional manner, namely without due process. *Zinerman*, 494 U.S. at 126. In all cases to date where this Court has approved Congress's employment of its § 5 powers, pervasive and documented unconstitutional state conduct supported the federal legislation.⁴ As observed by the Court in *City of Boerne*,

... We upheld various provisions of the Voting Rights Act of 1965, finding them to be remedies

4. CSB chides Florida Prepaid for pointing out the historical significance of the predicate of pervasive state-sponsored discrimination. CSB Br. 5. However, Florida Prepaid used the equal protection cases -- the only cases in which § 5 has been applied -- to show that § 5 has only been used to remedy unconstitutional conduct and that the Due Process Clause should be applied with fidelity to this precedent.

aimed at areas where voting discrimination has been most flagrant . . . and necessary to 'banish the blight of racial discrimination in voting, which has infected the electoral process in parts of our country for nearly a century.' We noted evidence in the record reflecting the subsisting and pervasive discriminatory -- and therefore unconstitutional -- use of literacy tests.

117 S. Ct. at 2167 (citations omitted). A demonstrated need for Congress to enforce constitutional rights against recalcitrant, indeed truant, states has consistently been required.

Attempting to mitigate Congress's failure to identify denials of due process by states alleged to have infringed privately-held patents, the United States argues it is enough if this Court can

perceive a factual basis on which Congress could have concluded that there had been unconstitutional deprivations of property interests in patents in the past, or that there were likely to be such violations in the future.

US Br. 23. However, Congress chronicled no empirical evidence of unconstitutional state conduct -- only eight instances of alleged state infringement in the past 100 years, with no evidence that patent owners sought and were denied adequate relief by states.

The respondents also attempt to excuse the Patent Remedy Act's scant record on the basis that an emergency predicate is not required before § 5 may be employed. *See* US Br. 23; AIPLA Br. 11. However, even the most detailed record could not have justified using § 5 to remedy state patent infringement because § 5 only authorizes Congress to enact "appropriate" legislation to remedy due process violations, not statutory violations. As

this Court has made clear, the Fourteenth Amendment is not a "font" for tort law. *Paul v. Davis*, 424 U.S. 693, 701 (1976).

Respondents insist that Congress examined state process and remedies before concluding that they are not uniform, may be illusory, and at best are "wholly inadequate." US Br. 24-38; CSB Br. 27-30. As support, CSB points to the testimony of the Commissioner of Patent and Trademarks who testified that "if states remain immune from suit, patent holders will be forced to pursue uncertain, perhaps non-existent remedies." CSB also cites AIPLA's testimony that "there are not very effective patent remedies at the state level." CSB Br. 27-28. These conclusory statements by witnesses supporting the Patent Remedy Act can hardly constitute a meaningful analysis of the constitutional adequacy of state court remedies for patent owners.

While the United States declares that a state is constitutionally obligated to provide compensation when it takes property for public use, US Br. at 25, it simultaneously doubts whether takings claims over patents can be entertained by state courts. Contrary to that assertion, state court process for patent-related claims will not be superseded via the Supremacy Clause because Congress lacks authority to allow such cases to proceed in federal court. *See* Ohio Br. 12. Moreover, this Court's decisions strongly suggest that takings claims can be asserted by patentees against states and thus will satisfy due process.⁵ In any event, respondents' speculation before this Court about the viability of a takings theory, whether the absence of certain remedies violates due process, and whether state relief would be "just" compensation cannot justify abrogating state immunity

5. *See, e.g., Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419 (1982); *Kaiser Aetna v. United States*, 444 U.S. 164 (1979); *United States v. Causby*, 328 U.S. 256 (1946). *See also James v. Campbell*, 104 U.S. 356 (1881) (patent infringement by United States constitutes a taking).

before any such concerns are put at issue and resolved by the state courts.⁶

Where there is an available state post-deprivation remedy, and no challenge to the state procedures themselves, this Court's decisions in *Parratt* and *Williamson* show that federal courts are not to entertain a federal claim seeking compensation from a state or even to decide whether the state process meets constitutional standards until after the state procedures and remedies have been sought. As shown by *Parratt*, 456 U.S. at 538-44, CSB's reliance on *Monroe v. Pape*, 365 U.S. 167 (1961), is misplaced with respect to procedural due process claims. Until a state's remedies are tested and shown to be constitutionally lacking, a state cannot have committed any constitutional wrong that could act as a predicate to abrogate its Eleventh Amendment immunity.⁷ *Williamson*, 473 U.S. at 194-195.

Here, no federal court has yet determined that patentees will be denied due process and just compensation by the available remedies in Florida, and CSB did not even attempt to pursue

6. Even if there are states where relief is not expressly provided for or may be limited, it is not likely that relief would be foreclosed altogether. To the contrary, it is likely that states will construe their laws expansively so as to provide adequate process to patentees and avoid losing their Eleventh Amendment immunity from suit in federal court. *Jacobs Wind Elec. Co. v. Fla. Dep't of Transp.*, 626 So.2d 1733 (1993).

7. Respondents take issue with Florida Prepaid's assertion that state remedies must be "exhausted." *See*, CSB Br. 46-47; PLF Br. 18-19. Only those patentees who sue state entities where the constitutional adequacy of the state's process for patentees has not yet been tested must "exhaust" the available state process and remedies. Where a particular state's process and remedies have previously been declared inadequate, subsequent patentees seeking relief from that state would not be required to use the state procedures in the first instance.

such state remedies against Florida Prepaid. As a result, there is no basis on which it can be assumed or determined that CSB will be deprived of property without due process or just compensation. Until the available state procedures are tested, they cannot be shown to be inadequate. In the absence of such a showing, there can be no constitutional violation for a federal court to remedy by applying the Patent Remedy Act.⁸

To save the Patent Remedy Act, the Federal Circuit effectively negated the meaning of the Due Process Clause. That court held that the Patent Remedy Act did not only apply "to those states that fail to provide a remedy for compensation for patent infringement by the state, or that provide a remedy of such inconsequence as to be illusory." Pet. App. A. 14a. Instead, it held that the Patent Remedy Act is a valid exercise of Congress's § 5 power to abrogate the Eleventh Amendment immunity of all fifty states in patent infringement cases without regard to whether a particular state has adequate process for patent holders. Pet. App. A, at 14a-15a.

As explained in *City of Boerne*, "Congress was granted the power to make the substantive constitutional provisions against the States effective." 117 S. Ct. at 2165. But if Congress is allowed to subject states to suit in federal court by legislating to enforce the Due Process Clause even against states providing constitutionally-adequate due process, Congress will have created jurisdiction for suits against those states in federal court in the absence of a constitutional violation. That is clearly prohibited by *City of Boerne*.

8. As explained, any inability of state courts to provide due process in cases arising under the patent laws results from jurisdiction being exclusive to federal court that is the result of federal action, not any constitutional violation by the states. See, also, UC Br. 8. Congress's decision to restrict such jurisdiction to federal court cannot supply abrogation power to Congress to enforce the Due Process Clause.

Congress's power to abrogate must be limited to remedying those instances where a state's own processes do not satisfy what is required by the Constitution -- as interpreted by this Court. If that means that federal courts have to determine whether procedural due process is provided to patent holders on a state-by-state basis, that conclusion is required by the limits on the extent of Congress's power to abrogate under the Due Process Clause of the Fourteenth Amendment. While this does not mean that Congress must pass state-specific legislation, any § 5 legislation enforcing the Due Process Clause cannot abrogate the immunity of those states that provide due process to patent holders.

B. The Patent Remedy Act Is Not Proportionate To Any Goal Of Eradicating Allegedly Unconstitutional State Conduct.

Even if state patent infringement were a constitutional wrong, the Patent Remedy Act goes too far. Congress does not have the power to legislate its own view of the level of process that should be handed out by the states to patentees.

This Court has held that state remedies do not need to be as generous as those provided in a federal civil action to satisfy minimum due process. *Parratt*, 451 U.S. at 544. States have broad discretion in fashioning monetary relief available under their own procedures. *McKesson Corp. v. Div. of Alcoholic Beverages & Tobacco*, 496 U.S. 18 (1990).

[T]he state's interest in fashioning its own rules of tort law is paramount to any discernible federal interest, except perhaps an interest in protecting the individual citizen from state action that is wholly arbitrary or irrational.

Martinez v. State of California, 444 U.S. 277, 283, 100 S. Ct. 553, 557 (1980). If the state's process and compensation scheme satisfies the constitutional standard, Congress is powerless to require anything more.

By asserting that Congress has the discretion to conclude that only Title 35 remedies provide "adequate" compensation to patentees, CSB and the United States ignore that Congress has simply redefined what is "just" compensation for patent owners under the Constitution. Neither the Fifth Amendment nor the Fourteenth Amendment require the availability of attorney's fees, treble damages, and injunctive relief in order to provide "just" compensation or "due" process of law.⁹ See *Parratt*, 451 U.S. at 544. Because Title 35 remedies far exceed this Court's constitutional due process requirements, the Patent Remedy Act is a substantive change of the Constitution in violation of *City of Boerne*.

The respondents try to excuse this blatant attempt to "redefine" the due process requirements for patent holders by arguing that Congress has discretion to secure the guarantees of the Fourteenth Amendment by fashioning a "fully-adequate" remedy for state infringement. US Br. 20. However, Congress did not secure the guarantees of the due process clause under the Patent Remedy Act, it altered its meaning -- at least as to patent owners. If the Act is upheld, the constitutional guarantee

9. Where a patent holder is able to recover under a state tort claims act, the Patent Remedy Act only would serve to protect a claimant's interest in enhanced damages, an interest which the Due Process Clause does not protect. See *Parratt*, 451 U.S. at 543-44 (lack in state tort law of punitive damages which are available under 42 U.S.C. § 1983 does not render state procedure insufficient under due process clause). Enhanced damages under patent law are comparable to punitive damages in other tort contexts. See *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992).

of due process for patent holders will be whatever Congress is currently providing in the patent code. As explained by *City of Boerne*, that would improperly give Congress virtually unlimited power to alter the constitution. See 117 S. Ct. at 2168.

III. PUBLIC POLICY CONSIDERATIONS HAVE NEVER BEEN DEEMED SUFFICIENT TO TRUMP THE ELEVENTH AMENDMENT.

As stated in *Pennhurst State School and Hospital v. Haldermann*, 465 U.S. 89, 123 (1984), "considerations of policy cannot override the constitutional limitation on the authority of the federal judiciary to adjudicate suits against a State." The application of sovereign immunity results in disparate treatment of states and private parties when it comes to where they can be sued and the relief that may be procured. See *Welch v. Texas Dep't of Highways and Pub. Trans.*, 483 U.S. 468, 477 (1987). Certain of the respondents' amici nevertheless assert that Eleventh Amendment immunity should be shunned in patent infringement cases because the results are "unfair." See, NYIP Br. at 7. Any such "unfairness" can never be remedied absent a repeal of the Eleventh Amendment.

Other amici advance the argument that the invalidation of the Patent Remedy Act will "upset the patent system." AIPLA Br. 2. In the context of the entire patent system, the effect of state infringement cases is clearly overstated. In any case, the policy of having uniform patent laws -- without any regard for how existing patent laws will actually be applied by state courts -- also cannot be sufficient cause to override the mandate of the Eleventh Amendment.¹⁰

10. A lack of uniformity is tolerated in other areas of the law, given the varying relief states afford to claims within their jurisdiction. Should such a lack of uniformity be a basis for abrogating legislation, there would be hardly any instances where the Eleventh Amendment would not fall.

The possibility that available procedures may vary from state to state does not violate the constitution. As stated in *Kremer v. Chemical Constr. Corp.*, 456 U.S. 461 (1985), "[t]he very nature of due process negates any concept of inflexible procedures universally applicable to every imaginable situation." 456 U.S. at 483 (quoting *Mitchell v. W.T. Grant Co.*, 416 U.S. 600, 610 (1961)). As shown by *MGA, Inc. v. General Motors Corp.*, 827 F.2d 729 (Fed. Cir. 1987), the Federal Circuit is able to evaluate state court patent decisions for compliance with due process requirements.

The United States asserts that requiring federal courts to evaluate state remedies would be "unseemly." US Br. 31-32. However, any due process analysis by a federal court evaluates state procedures. Similarly, any alleged concern over the potential for inconsistent judgments, simultaneous litigations, and multiple venues is illusory. Patent owners already face such occurrences whenever there are multiple private defendants in different states, and the existing means to manage such concerns, e.g., collateral estoppel and stays, can be applied in state courts. See *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313 (1971).

Congress's desire for uniform decisions and uniformity in the patent law simply cannot overcome its absence of power to abrogate. State courts still decide patent issues in a variety of contexts. See *Lear v. Adkins*, 395 U.S. 652 (1969); *Nat. Conf. of State Legis. Br.* at 23 & n.8. Any true conflict between a Federal Circuit decision and a state court can be resolved by this Court. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). Whether Congress reasonably concluded that federal courts would be a better forum for patent suits against the states is not the issue. As long as states provide constitutionally adequate process, fairness and uniformity of the laws will be adequately preserved.

[T]o secure state-court compliance with and national uniformity of federal law, the exercise of jurisdiction by state courts over cases encompassing issues of federal law is subject to two conditions: state courts must interpret and enforce faithfully the 'Supreme Law of the Land,' and their decisions are subject to review by this Court . . . the Eleventh Amendment does not constrain the appellate jurisdiction of the Supreme Court over cases arising from state courts.

McKesson, 496 U.S. at 28. States cannot, then, be required to defend patent infringement claims in federal court so that "better" or more uniform relief can be provided to patentees. *Missouri v. Fiske*, 290 U.S. 18, 25-26 (1933) ("considerations of convenience open no avenue of escape from the Amendment's restriction"). Adopting such a test would effectively dispose of the Eleventh Amendment and disavow the teachings of *City of Boerne*.

IV. FLORIDA PREPAID DID NOT WAIVE ITS SOVEREIGN IMMUNITY EITHER UNDER *PARDEN* OR BY PARTICIPATING IN THE PATENT SYSTEM.

Although the Federal Circuit did not reach the issue, respondents' invocation of the *Parden* doctrine as a basis to allow this patent infringement suit to proceed against Florida Prepaid in federal court should also be swiftly rejected. See CSB Br. 49; US Br. 47-48 citing, *Parden v. Terminal Ry. of the Ala. State Docks Dep't.*, 377 U.S. 184 (1964). Like the respondents, Florida Prepaid incorporates and relies upon its briefing in Case No. 98-149. As explained therein, *Seminole Tribe* made clear that a state's participation in commerce is no foundation for abrogating legislation. Br. 22-35. An implied waiver of immunity arising from the same conduct also cannot logically be found.

Parden was squarely premised on the Commerce Clause, and in overruling *Pennsylvania v. Union Gas*, 491 U.S. 1 (1989), *Seminole Tribe* teaches that Congress cannot curtail Eleventh Amendment immunity through legislation enacted under Article I. See *Chavez v. Arte Publico Press*, 59 F.3d 539 (5th Cir. 1995), *vacated and remanded in light of Seminole Tribe*, 517 U.S. 1184 (1996), *on remand*, 157 F.3d 282 (5th Cir.), *reh'g en banc granted* (October 1, 1998). Thus, if Congress's Article I powers do not include the authority to abrogate state's immunity from suit in federal court, the power to extract a waiver of such immunity must fail, as well.

Moreover, because Florida Prepaid is acting in a true governmental capacity when it assists its residents in obtaining higher education, *Parden*, even if still viable, would not apply. There is also no quid pro quo or choice offered to states in the Patent Remedy Act. Thus, this abrogating legislation does not contain any conditional waiver, and *Parden*, therefore, is never triggered.¹¹

No implied waiver can be found to have occurred under the fiction created in *Parden* now that *Seminole Tribe* overruled *Union Gas*. Further, states' participation in the patent system similarly did not effect a waiver of immunity either -- Congress did not give specific notice that obtaining patents would result in a waiver of immunity from patent suits. As a result, because Congress lacked the power to abrogate Florida Prepaid's immunity for patent infringement claims, its motion to dismiss should have been granted by the district court.

11. CSB also improperly attempts to gain consideration of whether Florida Prepaid waived its immunity by participating in this law suit. That issue, however, is not properly before this Court. See *Bennett v. Spear*, 520 U.S. 154 (1992).

CONCLUSION

The Federal Circuit's decision should be reversed and remanded with instructions that CSB's patent infringement claim against Florida Prepaid be dismissed.

Respectfully submitted,

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IN THE
SUPREME COURT OF THE UNITED STATES

October Term, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK AND UNITED STATES OF AMERICA,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF *AMICUS CURIAE* OF THE REGENTS OF THE
UNIVERSITY OF CALIFORNIA IN SUPPORT OF THE
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QUESTION PRESENTED

Did Congress have power under Section 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the States and make them amenable to suit in federal court for patent infringement by enacting Section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, 35 U.S.C. §§ 271(h), 296(a)?

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IN THE SUPREME COURT OF THE UNITED STATES OCTOBER TERM, 1998

No. 98-531

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANKS AND UNITED STATES OF AMERICA,

Respondents.

On Petition for a Writ of Certiorari
To the United States Court of Appeals
For the Federal Circuit

BRIEF *AMICUS CURIAE* OF THE REGENTS OF THE UNIVERSITY OF CALIFORNIA IN SUPPORT OF PETITIONER

The Regents of the University of California ("the University") respectfully submits this brief *amicus curiae* in support of petitioner in this case. Petitioner and both respondents have consented to the filing of this brief.

Correspondence reflecting the parties' consent has been lodged with the Clerk.¹

INTEREST OF *AMICUS CURIAE*

The University's interest is described in its motion to file a brief *amicus curiae* in support of the petition for a writ of certiorari, which this Court granted by Order dated January 8, 1999. In this brief *amicus curiae* on the merits, the University addresses the nature of the property right inherent in a patent and the scope of that right insofar as it is implicated by the Due Process Clause of the Fourteenth Amendment. The University also considers the limits on congressional enforcement power under Section 5 of the Fourteenth Amendment as it would be applied to affect state immunity guaranteed by the Eleventh Amendment. As both a patent holder and a state entity, the University brings a unique perspective to these issues that it believes will aid the Court in its resolution of this case.²

SUMMARY OF ARGUMENT

The Patent Remedy Act is unconstitutional because there is no real or threatened state deprivation of property without due process of law to which Congress's Section 5 authority is directed. First and foremost, the rights of patent

¹ Pursuant to Rule 37.6, the University states that no counsel for any petitioner or respondent authored this brief in whole or in part. Nor did any person or entity, other than the University, make a monetary contribution to the preparation or submission of this brief.

² The University has pending its own petition for certiorari, *The Regents of the University of California v. Genentech*, No. 98-731, in a case involving whether a state entity that *owns* a patent is subject to declaratory judgment actions in federal court by alleged infringers, either by waiver or by abrogation.

holders do not include the ability to file suit against unconsenting States in federal court. Patents are created by Congress under Article I and the property right they confer consists solely of the power to invoke legal process to realize a limited monopoly on an invention. However, this property right cannot include the authority to invoke legal process against a State in federal court because Congress is not empowered to confer that authority under Article I. The abrogation of state Eleventh Amendment immunity therefore cannot be justified under the Fourteenth Amendment, for the abrogation protects a so-called property right that Congress is not empowered to create.

Further, there has been no showing that patent holders lack due process against state entities. There is no evidence in the legislative record that States have failed to provide remedies for infringement in their own courts or legislatures. In this case, the State of Florida provides ample remedies for patent holders purportedly injured by state acts of infringement, including several causes of action and a procedure for obtaining compensation from the state legislature. This Court has ruled that due process is not offended by state actions that can be addressed through state post-deprivation remedies. The Patent Remedy Act, however, abrogates state immunity regardless of the process available in state courts, and cannot be justified under the Fourteenth Amendment.

In addition, any deprivation of adequate process results from federal, not state action. That infringement suits cannot be brought against a State in state court stems solely from the decision of Congress to confer exclusive jurisdiction over such suits on the federal courts. Accordingly, if States fail to provide adequate remedies for state acts of patent infringement, the cause is federal, not state action. And Section 5 cannot justify intrusion on state rights to remedy injuries caused by federal action.

As this Court emphasized in the *City of Boerne* case, Congress cannot “enforce” a constitutional right pursuant to its Section 5 authority by changing the nature of the right it is enforcing. Because Congress lacks power under Article I to create a property right to invoke legal process against an unconsenting State in patent actions, it cannot authorize such legal action under Section 5—because that would *change* the property right in question.

Even if there were a threat to a protected patent property right, abrogation is not constitutionally permissible because it is disproportionate to and not congruent with the alleged injury caused by state interference with patent rights. There was no basis for Congress to believe that States were posing a significant threat to the full enjoyment of the monopoly status conferred by patents and, in any event, far less intrusive remedies were and are available that would provide ample protection against the possibility of such interference.

ARGUMENT

I. **THERE IS NO REAL OR THREATENED STATE DEPRIVATION OF PROPERTY WITHOUT DUE PROCESS OF LAW TO WHICH CONGRESS’S SECTION 5 AUTHORITY COULD BE DIRECTED.**

A. **The Rights of Patent Holders Do Not Extend to Suits Against Unconsenting States or State Entities.**

The Federal Circuit Court of Appeals upheld the Patent Remedy Act first by finding that “the patent owned by [the petitioner] is property” protected by the Fourteenth Amendment, and then by concluding that “[p]rotecting a

privately-held patent from infringement by a state is . . . a legitimate . . . objective” for Congress to advance by abrogating state immunity from patent infringement suits in federal court. *College Savs. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.* 148 F.3d 1343, 1349 (Fed. Cir. 1998). In so holding, the Circuit Court failed to appreciate the limited nature of the property right conferred by a patent—the right to invoke legal process to exclude others from utilizing the invention covered by the patent—or to acknowledge the significance of the constitutional limits on the power of Congress to provide such process for use against state entities.

Patents are created by Congress under its Article I power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. Art. I § 8[8]. Since this Nation’s inception, Congress has exercised this Article I power to enact comprehensive patent laws now comprising Title 35 of the United States Code. As this Court has frequently observed in a variety of contexts, the property rights conferred by a patent are created solely by statute, and are separate and distinct from a patent holder’s common law property rights in an invention.³

³ Over a century ago, this Court held that the “property right” that a patent confers on an inventor is limited to those rights that Congress has created by statute, explaining that

the right of property which a patentee has in his invention, and his right to its exclusive use, is derived altogether from these statutory provisions; and this court (has) always held that an inventor has no right of property in his invention, upon which he can maintain a suit, unless he obtains a patent for it, according to the acts of Congress; and that *his rights are to be regulated and measured by these laws, and cannot go beyond them.*

The “property right” that Congress has created under Article I is the right of a patent holder to invoke legal process in order to realize a limited monopoly for a limited time on a patented invention. The owner of a patent is given “the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States.” 35 U.S.C. § 154(a)(1). Thus, the “only effect of [the inventor’s] patent is to restrain others from manufacturing, using, or selling that which he has invented.” *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 510 (1917). See also *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 879 n.4 (Fed. Cir. 1991).⁴

The right to exclude is not enforceable by self-help. Thus, a patent holder is not, by virtue of his patent, entitled to confiscate goods belonging to others merely because their manufacture may have infringed the holder’s patent. Rather, the patent holder’s right to exclude is realized by giving patent holders a private right of action for patent infringement. See 35 U.S.C. § 271. At its essence, an inventor’s “property right” in a patent is the right to bring suit, and that is all it is.

Because the “[patent] monopoly did not exist at common law,” the only property rights conferred by a patent are those “authorized by statute, and in the manner the statute prescribes.” *Crown Die & Tool Co.*, 261 U.S. at 40

Brown v. Duchesne, 60 U.S. 183, 195 (1857) (emphasis added).

⁴ A patent does not confer the rights to make, use, or sell a covered invention. Any such rights have their origin in common law and are independent of patent ownership. *Crown Die & Tool Co. v. Nye Packing Co., Inc.*, 261 U.S. 24, 36 (1923). As the Federal Circuit has explained: “Inventors possess the natural right to exploit their inventions . . . apart from any Government grant.” *King Instruments Corp. v. Perego*, 65 F.3d 941, 949 (Fed. Cir. 1995), *cert. denied*, 517 U.S. 1188 (1996).

(quotation omitted); see also *Deepsouth Packing Co., Inc. v. Laitram Corp.*, 406 U.S. 518, 525-26 (1972). For example, a patent holder does not have a right to exclude beyond the time period set by Congress. In general, the statute provides that a patent holder’s monopoly expires twenty years from the date an application is filed. See 35 U.S.C. § 154(a)(2). Likewise, patents have force only within the United States, its territories and possessions, and do not generally protect against acts taking place in foreign countries. See 35 U.S.C. §§ 100(c), 154(a)(1), 271(a). As this Court observed in *Deepsouth Packing Co.*, 406 U.S. at 527, “[t]he statute makes it clear that it is not an infringement to make or use a patented product outside of the United States.” See also *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1033 (Fed. Cir.) (same), *cert. denied*, 516 U.S. 907 (1995).⁵

The Federal Circuit’s *ipso facto* conclusion that Congress can exercise its Section 5 enforcement power to abrogate state Eleventh Amendment immunity simply because a patent is “property” ignores both the nature of that interest and its Article I origin. The “property right”—which is solely the right to invoke legal process to enforce the patent monopoly—cannot include the authority to invoke that process against a State in federal court. As established by this Court’s decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 32 (1996), Congress, the sole source of the

⁵ Patents are so limited because they are “an exception to the general rule against monopolies and to the right to access to a free and open market.” *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945). A patent is a monopoly “which, although sanctioned by law, has the economic consequences attending other monopolies.” *Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313, 343 (1971). Hence, Congress “requires, for the protection of the public, that the inventor set out a definite limitation of his patent; that condition must be satisfied before the monopoly is granted.” *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 372 (1938). Cf. *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892) (“competition should not be repressed by worthless patents”).

patent "property right," is not empowered to confer that authority under Article I. And, if Congress cannot use its Article I patent authority to abrogate state sovereign immunity directly, it surely cannot use its Article I authority to create a property right to exclude all others through judicial action, which can then be enforced against States through the exercise of authority under Section 5 of the Fourteenth Amendment. Otherwise, Congress could circumvent *Seminole Tribe* simply by legislating new "property" interests and then attempting to subject States to suit in federal court for the violation of such interests.

The history of federal court jurisdiction over patent disputes demonstrates that the patent property right does not include the right to bring suit against an unconsenting State. In 1793, Congress first vested jurisdiction over patent cases in both the federal courts and "any other court having competent jurisdiction." See Patent Act of February 17, 1793 § 5, 1 Stat. 322. Private parties therefore could file patent infringement suits in federal or state court. Shortly thereafter, in 1798, the Eleventh Amendment was ratified, providing unconsenting States with immunity from damage suits filed by private parties in federal court and confirming the sovereign immunity of States in the federal system. See *Seminole Tribe*, 517 U.S. at 44. Two years later, Congress stripped patent holders of the ability to file infringement suits in state court by vesting exclusive jurisdiction over patent suits in the federal courts. See Act of April 17, 1800, 2 Stat. 37. See also *Campbell v. City of Haverhill*, 155 U.S. 610, 620 (1895) (discussing the 1793 and 1800 Acts). In other words, immediately after the Eleventh Amendment confirmed that States were immune from suit in federal court, Congress specifically eliminated concurrent state court jurisdiction over patent suits and required that they be filed in federal court. This history strongly supports the conclusion that Congress never intended that a patent holder's right to exclude through the invocation of judicial

process to extend to unconsented suits against States or state entities.

Consistent with this understanding, neither the legislative record nor the lower court opinion cites a *single* instance pre-dating the Patent Remedy Act in which a federal court decided the merits of a patent infringement suit brought by a private party against an unconsenting State or state entity. Cf. *Seminole Tribe*, 517 U.S. at 73 n.16 ("Although the copyright and bankruptcy laws have existed practically since our nation's inception . . . there is no established tradition in the lower federal courts of allowing enforcement of those federal statutes against the States.").

In short, the property right conferred by a patent has never included authority to enforce exclusivity against States, at least absent their consent to be sued.⁶ That being so, the abrogation of state Eleventh Amendment immunity cannot be justified as an exercise of Fourteenth Amendment power to prevent interference with property rights, for abrogation protects a so-called right that Congress never intended (prior to enactment of the abrogation provision in 1992) nor was empowered to create.⁷

⁶ The court below also erred by assuming that patent infringement by a State necessarily amounts to a constitutional "deprivation" of property. This Court has held that property is deprived within the meaning of the Fourteenth Amendment only when a state actor has acted intentionally and the action represents an arbitrary exercise of governmental power. *Daniels v. Williams*, 474 U.S. 327 (1986); *Davidson v. Cannon*, 474 U.S. 344, 347-48 (1986).

⁷ The situation is analogous to a case of real property purchased by a buyer but as to which the seller has reserved an easement to park a truck on the property. The buyer cannot prevent the seller from entering the property and parking his truck on it, even though the buyer is the owner of the property, because the rights conferred, though they extend generally to preventing trespass by anyone else, do not include the right to exclude the seller who retained his easement.

B. There Has Been No Showing That Patent Holders Lack Due Process Against State Entities.

Even if the property rights conferred by a patent did include the right to bring suit against state entities, there would be no constitutional deprivation of property "unless and until the State fails to provide due process." *Zinerman v. Burch*, 494 U.S. 113, 126 (1990). The provision in the Patent Remedy Act subjecting States to suit in federal court cannot be justified as an enforcement of the Due Process Clause because there is no evidence in the legislative record that States would not provide remedies for infringement in their own courts or legislatures.

In this case, for example, which involves alleged patent infringement by the State of Florida, there are alternative state remedies for patent holders who claim to be injured by state acts of infringement. The state constitution prohibits the taking of private property without due process or just compensation (Art. I, § 9 and Art. X, § 6(a), Fla. Const.), and the Florida Supreme Court has ruled that a patent holder can remedy infringement by the State through a takings action filed in state court. *Jacobs Wind Elec. Co., Inc. v. Department of Transp.*, 626 So.2d 1333, 1337 (Fla. 1993). The same case likewise ratified a patent holder's claim against the State for the tort of conversion. *Id.* The Florida Supreme Court also has long held that a patent holder can pursue tort claims for unjust enrichment in state court against a state infringer. See *The Bert Lane Co. v. International Indus., Inc.*, 84 So.2d 5, 7-8 (Fla. 1955). Finally, Florida law provides the remedy of a "claims bill," through which a patent holder who charges deprivation of property by the State can seek full monetary relief directly from the state legislature. See Fla. Stat. § 11.065. At the very least, abrogation is unwarranted where, as here, the plaintiff has not pursued state court remedies and there is no showing that

Florida has acted to preclude post-deprivation remedies for injuries caused by its alleged acts of patent infringement.

The court below suggested that the process provided by Florida "may be illusory" because this Court has not yet ruled that takings claims based on patent infringement are cognizable in state court in light of 28 U.S.C. § 1338(a). See 148 F.3d at 1350 n.2. The court did not extend this conclusion to the other state remedies provided by Florida. Moreover, this Court and the Federal Circuit have emphasized that state courts *do* have power to decide cases affecting patents, so long as the cause of action does not itself "arise under" the patent law. Thus, a complaint alleging antitrust violations and business torts with respect to a patented product was properly filed in state court in *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 810 (1988), as was a complaint seeking a declaratory judgment that a patent licensing agreement was enforceable in *Intermedics Infusaid, Inc. v. Regents of the University of Minnesota*, 804 F.2d 129, 132-33 (Fed. Cir. 1986). This Court has further held that state courts are even permitted to consider substantive patent law issues if necessary to resolve claims that do not "arise under" the patent law, as in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) and *Lockett v. Delpark, Inc.*, 270 U.S. 496 (1926), where state courts had to consider the validity of patents to determine whether breaches of contract had occurred. See also *Jacobs Wind Elec. Co., Inc. v. Florida Dep't of Transp.*, 919 F.2d 726, 728 (Fed. Cir. 1990) ("Further, although a state court is without power to invalidate an issued patent, there is no limitation on the ability of a state court to decide the question of validity when properly raised in a state court proceeding.")⁸

⁸ Even if state courts were preempted from hearing all state law causes of action "predicated" on patent law, *cf. Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1338 (Fed. Cir. 1998), petition for certiorari filed, No. 98-969, the lack of remedy in state court is a result of Congress's decision to vest exclusive jurisdiction in the federal

This Court has been loathe to find that the Fourteenth Amendment is offended by the actions of state or local officials if those actions can be addressed through state post-deprivation remedies. See *Hudson v. Palmer*, 468 U.S. 517, 533 (1984) (no violation of due process through state officer's intentional destruction of property if State makes post-deprivation remedy available); *Parratt v. Taylor*, 451 U.S. 527, 543-44 (1981) (same for state officer's negligent act). Cf. *Williamson County Reg'l Planning Comm'n v. Hamilton Bank of Johnson City*, 473 U.S. 172, 186 (1985) (Takings clause challenge in federal court premature if claimant has not first sought compensation through state court procedures); *Rosewell v. LaSalle Nat'l Bank*, 450 U.S. 503, 514-15 (1981) (Tax Injunction Act deprives federal courts of jurisdiction over constitutional challenges to state tax if State has made its own procedures available).⁹ The Patent Remedy Act's abrogation of Eleventh Amendment immunity applies to all States, purportedly on due process grounds, regardless of the process available in state courts. This clearly flies in the face of the due process principles enunciated by this Court. Accordingly, the Court of Appeals decision should be reversed and the Patent Remedy Act abrogation clause invalidated.

courts, and there is no state action that can form the basis of a due process violation. See *infra* pp. 11-12.

⁹ This Court's reluctance to acknowledge Fourteenth Amendment causes of action is consistent with its recent ruling, in *Idaho v. Coeur d'Alene Tribe of Idaho*, 521 U.S. 261 (1997), that the *Ex parte Young* (209 U.S. 123 (1908)) exception to the Eleventh Amendment does not apply where state post-deprivation remedies are available. *Id.* at 273-74. There the Court also took heed of the States' "real and vital interests in preferring their own forum in suits brought against them. . . ." *Id.* at 274.

C. Any Failure of Adequate Process Results From Federal, Not State Action.

The Court of Appeals held that the abrogation of immunity was an appropriate exercise of Congress's authority to enforce the Due Process Clause, regardless of the alternate remedies available under Florida law, because the ability to sue a State under Title 35 for infringement gives patent holders "access to the remedies of attorney fees and treble damages." 148 F.3d at 1354, citing 35 U.S.C. §§ 284-85. This reasoning is faulty in two respects.

First, attorney fees and the possibility of treble damages are not constitutionally required components of "due process." Cf. *Walters v. National Ass'n of Radiation Survivors*, 473 U.S. 305, 326 (1985) (upholding against due process challenge a \$10 cap on attorney's fees in federal veterans' appeal cases); see also 28 U.S.C. § 1498(a) (federal government not liable for treble damages in patent actions, and only liable for attorney's fees in limited circumstances).

Second, and more important, the fact that infringement actions cannot be brought against a State in state court stems solely from the historic decision of Congress to confer exclusive jurisdiction over patent suits on the federal courts. See 28 U.S.C. § 1338(a). Accordingly, if States are unable to provide remedies for state acts of patent infringement that satisfy the Due Process clause of the Fourteenth Amendment, the cause is *federal*, not state action. And Section 5 cannot justify intrusion on state rights to remedy injuries caused by federal action.

Congress could address any purported absence of adequate state remedies by revoking the exclusive grant of federal jurisdiction over patent infringement suits. By permitting infringement suits to proceed in state courts, Congress would ensure that States are able to provide adequate remedies for aggrieved patent holders. For

example, States have routinely waived their sovereign immunity with respect to torts committed by state employees or agents. See *Brief of Amici Curiae Ohio et al.*, App. B. A similar approach would provide adequate remedies for patent holders while simultaneously preserving the States' separate Eleventh Amendment immunity.

II. ABROGATION OF STATE ELEVENTH AMENDMENT IMMUNITY IN PATENT CASES IS BEYOND THE REMEDIAL POWER OF CONGRESS UNDER SECTION 5 OF THE FOURTEENTH AMENDMENT.

The Court of Appeals sought to justify the Patent Remedy Act abrogation clause by relying on the broad power of Congress under Section 5 of the Fourteenth Amendment to the Constitution to enforce the prohibitions against States contained in Section 1 of that Amendment, including the prohibition against depriving citizens of their property without due process of law. Its discussion was based on the decision of this Court in *City of Boerne v. Flores*, 117 S. Ct. 2157 (1997). The court was in error for two reasons: (1) the Section 5 power is not so broad as to authorize an expansion of the constitutional limitations contained in Section 1 of the Amendment, and (2) even if the patent right encompasses the right to enforce exclusivity against unconsenting States, the abrogation clause is so disproportionate to the alleged deprivation as to fail the test of proportionality and congruence set forth in the *City of Boerne* decision.

A. Section 5 Does Not Authorize Congress to Expand The Scope of Property Rights Protected By the Fourteenth Amendment.

As shown in Part I above, the property right of a patent holder has never encompassed the right to pursue legal action against an unconsenting State, for it is beyond the authority of Congress under the Patent Clause of Article I to confer that power. That being so, the power to enforce the Fourteenth Amendment by appropriate legislation does not extend to authorizing suits by patent holders against unconsenting States, for that would constitute changing the property right protected by the Fourteenth Amendment. The *City of Boerne* decision emphasizes that "Congress does not enforce a constitutional right by changing what the right is," 117 S. Ct. at 2164, for the right to enforce is not a power to "decree the substance of the Fourteenth Amendment's restrictions on the States." *Id.*

The University acknowledges that "[l]egislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into 'legislative spheres of autonomy previously reserved to the States.'" *Id.* at 2163 (citation omitted). But that does not describe the abrogation clause at issue in this case. Here, Congress has not acted to prevent unconstitutional conduct and "in the process" also subjected States to suit for conduct that does not rise to the level of a constitutional violation. The abrogation provision is not an incident of a broader remedial scheme to protect constitutional rights. Rather, the sole purpose of the legislation is to strip States entirely of their Eleventh Amendment immunity in the name of protecting alleged patent rights that, as shown above, Congress never conferred and could not have conferred. Broad though the enforcement power may be under Section 5, it does not extend this far.

B. Even If There Were a Threat to a Protected Patent Property Right, Abrogation Is Not a Constitutionally Permissible Enforcement Remedy.

Even if it could be said that the right to exclude that is the essence of the patent right extends to States and state entities, abrogation of state Eleventh Amendment immunity would still not be a justifiable means of enforcing that right. To meet the constitutional standard for the exercise of enforcement power under the Fourteenth Amendment, there must be "a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." *City of Boerne*, 117 S. Ct. at 2164. Given the importance of the Eleventh Amendment immunity in our constitutional structure, abrogation is a disproportionate remedy not congruent with the alleged constitutional injury (state interference with patent-protected exclusivity without providing adequate remedy), particularly since far less intrusive remedies were and are available that would provide ample protection against the possibility of such injury.

To begin with, there was no basis for Congress to believe that States and state entities were posing a significant threat to the full enjoyment of the monopoly status conferred by patents. To the contrary, as was acknowledged by the sponsor of the Patent Remedy Act :

[w]e do not have any evidence of massive or widespread violations of patent laws by the States either with or without this State immunity. Accordingly, could one argue that this legislation may be premature? We really do not know whether it will have any effect or not.

Patent Remedy Clarification Act, Hearings on H.R. 3886, Before the Subcomm. On Courts, Intellectual Property, and the Admin. Of Justice, House of Representatives Comm. On the Judiciary, 101st Cong. 22 (Feb. 6, 1990) (Rep. Kastenmeier). The Acting Commissioner of Patents and Trademarks responded to this observation by acknowledging that "[t]here have not been many cases that have raised this issue." He then speculated about "the possibility" that "more States will get involved in infringing patents." *Id.* (Jeffrey M. Samuels). Other witnesses and groups that supported the legislation also offered only supposition about possible future state activity in the absence of actual evidence that state infringement of patents was a serious problem. *See id.* at 70-71 (Statement of Intellectual Property Owners).¹⁰

As the foregoing demonstrates, Congress was concerned with acts of state infringement, *not* whether States had failed to provide adequate remedies to patent holders who were

¹⁰ The legislative record reveals only *two* reported cases of patent suits against States that had been preempted by Eleventh Amendment immunity (*see id.* at 49, citing *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990); *see also* S. Rep. 102-280, Patent and Plant Variety Protection Remedy Clarification Act, Senate Comm. On the Judiciary, 102nd Cong. 6 (May 12, 1992), citing *Jacobs Wind*, 919 F.2d 726), and the Federal Circuit was able to cite only two more such cases, both decided over a half-century earlier, in which patent infringement suits against state entities were dismissed on Eleventh Amendment grounds. *See* 148 F.3d at 1354, citing *William C. Popper & Co. v. Pennsylvania Liquor Control Bd.*, 16 F. Supp. 762 (E.D. Pa. 1936); *Automobile Abstract & Title Co. v. Haggerty*, 46 F.2d 86 (E.D. Mich. 1931). The failure to sue States might possibly be explained by awareness of the availability of the immunity defense. Nevertheless, in the absence of any other evidence of a serious problem, the paucity of cases initiated against state entities supports the conclusion that there was no evidentiary basis for Congress to adopt a remedy that wholly eradicated the immunity protected by a constitutional provision in the name of enforcing rights protected by another such provision.

allegedly injured thereby, which is what the Fourteenth Amendment Due Process Clause addresses. Thus, like the case of the Religious Freedom Restoration Act invalidated in *City of Boerne*, the Patent Remedy Act is "so out of proportion to a supposed remedial or preventive objective that it cannot be understood as responsive to, or designed to prevent, unconstitutional behavior." 117 S. Ct. at 2170.

The court below acknowledged the absence of any indications in the legislative record of the Patent Remedy Act of a significant level of patent infringement by States (though it referred to the speculation that this could increase as state universities become more active in the commerce of intellectual property), and it admitted that the harm perceived by Congress in this case was neither of the caliber nor the magnitude of the harm sought to be remedied in the Voting Rights Laws, the paradigm example of legislation intended to enforce constitutionally protected individual rights. Nonetheless, it held that the Patent Remedy Act passed muster under the balancing test enunciated in the *City of Boerne* case, by repeatedly analogizing the abrogation of state immunity to the imposition of liability on private parties. The court held that it was proper for Congress to subject a State found to have infringed a patent to "the same consequences as a private party infringer," including treble damages, attorney's fees, and injunctive relief, because "[t]here is no sound reason . . . that Congress cannot subject a state to the same civil consequences that face a private party infringer." 148 F.3d at 1355. The court also noted that the patent laws "subject states to no greater burdens than those that must be shouldered by private parties." *Id.*

This was exactly the wrong approach. The analogy of States to private parties is at its most inapt when considering the question of amenability to suit in federal court. For a State, being subjected to an unconsented suit in federal court is an intrusion on its sovereignty. The role of the Eleventh Amendment is "to avoid 'the indignity of subjecting a State

to the coercive process of judicial tribunals at the instance of private parties.' " *Seminole Tribe*, 517 U.S. at 58 (quoting *Hess v. Port Auth. Trans-Hudson Corp.*, 513 U.S. 30, 48 (1994), and *Puerto Rico Aqueduct and Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 146 (1993)). That constitutionally-preserved purpose explains why "the need to promote the supremacy of federal law must be accommodated to the constitutional immunity of the States." *Coeur d'Alene Tribe*, 521 U.S. at 275 (quoting *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 105 (1984)).

These principles inform the application of the test of "congruence and proportionality" enunciated by this Court in the *City of Boerne* case. Even assuming a legitimate claim of due process violation, the proportionality test at a minimum should consider whether less intrusive means to deal with the identified problem could have been employed. In this case, such alternatives were readily available. For one, Congress could have modified the exclusivity provision so as to permit patent infringement suits against state entities to be maintained in state courts. While this would have meant a slight exception to the policy of having all federal patent law decisions subject to review in the Federal Circuit Court of Appeals, that court's precedents would still be the dominant ones in the field, and would guide state court decisions, which in any case would always be subject to review in the Supreme Court.

Or Congress could have followed the model established when it waived the federal government's sovereign immunity to permit suits for patent violations. See 28 U.S.C. §1498(a). In those cases, a patent infringement suit against the United States is treated as an eminent domain action, not a suit in tort as it is for private infringers, and the patent holder may recover only "reasonable and entire compensation." As the Federal Circuit has explained:

Congress has . . . not provided a forum for patent infringement suits against the United

States in Title 35. Rather it has provided for a suit for compensation in the United States Claims Court. Such suit is based on principles related to the taking of property, namely a patent license, and subjects the United States to payment of appropriate compensation therefor, not to the liability or relief (such as treble damages) provided in the patent statute.

Chew v. State of California, 893 F.2d 331, 336 (Fed. Cir.), cert. denied, 498 U.S. 810 (1990). See also *Leesona Corp. v. United States*, 599 F.2d 958, 966-67 (Cl. Ct.), cert. denied, 444 U.S. 991 (1979). A patent holder's exclusive remedy against the Federal government is for a reasonable royalty in the Court of Claims. *Tektronix, Inc. v. United States*, 552 F.2d 343, 351 (Cl. Ct. 1977). Section 1498 also restricts liability to acts of "direct infringement"; the United States bears no liability for any acts of contributory infringement or inducement of infringement. See *Deuterium Corp. v. United States*, 16 Cl. Ct. 454, 458 n.2 (1989). Nor is the Federal government liable for attorney's fees and costs except in certain specified circumstances and where the position of the United States in the patent litigation was not "substantially justified." 28 U.S.C. §1498(a).

The far more narrow approach to waiving sovereign immunity utilized by Congress in the case of the Federal government demonstrates that the Patent Remedy Act goes far beyond what is appropriate to deal with the perceived intrusion on constitutionally-protected property rights, even assuming evidence of such an intrusion. Because it does, it cannot pass muster under *City of Boerne's* "congruence and proportionality" standard. It is therefore an invalid exercise of Fourteenth Amendment Section 5 power, and should be set aside by this Court.

CONCLUSION

For the reasons set forth above, this Court should reverse the decision of the United States Court of Appeals for the Federal Circuit and invalidate the Patent Remedy Act.

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Supreme Court, U. S.

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In The

SUPREME COURT OF THE UNITED STATES

October Term, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT
OF APPEALS FOR THE FEDERAL CIRCUIT

**BRIEF OF *AMICI CURIAE* STATES OF OHIO,
ALABAMA, CALIFORNIA, COLORADO,
DELAWARE, HAWAII, ILLINOIS, INDIANA,
LOUISIANA, MARYLAND, MICHIGAN,
MISSISSIPPI, MISSOURI, NEBRASKA, NEVADA,
NEW HAMPSHIRE, NEW MEXICO, NEW YORK,
OKLAHOMA, OREGON, RHODE ISLAND, SOUTH
CAROLINA, UTAH, WYOMING AND THE
COMMONWEALTHS OF PENNSYLVANIA AND
VIRGINIA IN SUPPORT OF PETITIONER**

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INTEREST OF THE *AMICI*

Amici State of Ohio and 25 other States write in support of Petitioner Florida Prepaid Postsecondary Education Expense Board, urging this Court to hold that Congress lacks authority to abrogate a State's sovereign immunity from suit in federal court in the context of a patent infringement claim. The States have an obvious interest in the case, not only to protect their Eleventh Amendment immunity in this particular context, but also to point out the far-reaching implications of an adverse decision. At least 19 other States have programs similar to Florida's, and many of these have been threatened with similar lawsuits from Respondent College Savings Bank ("CSB"). The States vigorously contest the allegations of infringement by CSB. See Appendix A.

The argument advanced by Respondent, and adopted by the court below, is essentially that the assertion of Eleventh Amendment immunity amounts to a violation of due process, thereby giving Congress the power to abrogate the States' Eleventh Amendment immunity under section five of the Fourteenth Amendment. This argument, were it to prevail in this Court, would mean that Congress could abrogate Eleventh Amendment immunity in virtually all circumstances—a result that would eviscerate this Court's decision in *Seminole Tribe v. Florida*, 517 U.S. 44 (1996). The *Amici* States therefore submit this brief for the Court's consideration.

SUMMARY OF ARGUMENT

In this case, a Florida state agency is alleged to have infringed a patent granted to a private entity under federal law. The States have made their courts available to hear patent infringement claims against the States. The particular form of process that Florida has made available is a "takings" claim on the ground that infringement of a patent, if proved, is a taking of property deserving of just compensation. See *Jacob's Wind Electric Co., Inc. v. Florida Department of Transportation*, 626 So. 2d 1333 (Fla. 1993). Either this form of process or one involving a tort claims act exists in almost every State in the Union. See Appendix B. Thus, there is virtually no State that fails to offer a process by which a patent holder may seek a remedy from an alleged infringement. Nonetheless, Congress has attempted to make the States amenable to suit in federal court, notwithstanding the States' traditional Eleventh Amendment immunity from suit in federal court against claims brought by private parties.

It is clear from *Seminole Tribe* that Congress lacks power under the Patent Clause to abrogate the States' immunity from suit in federal court. Consequently, CSB and the United States argue that Congress may rely on its power to abrogate state immunity pursuant to section five of the Fourteenth Amendment. But this argument is unavailing. Congress may invoke its authority under section five of the Fourteenth Amendment only to remedy violations of the Amendment. But there is no violation of the Fourteenth Amendment when the States make their own courts available to remedy any patent infringement committed by state agencies or instrumentalities. Thus, when the States are prepared to entertain patent infringement claims in their own courts, there is no basis for Congress' exercising section five authority to abrogate the States' immunity from suit in federal court.

In establishing this important proposition, we do not mean to suggest that a State's ability to assert immunity from suit in federal court in a patent infringement case is necessarily contingent on the availability of a comparable remedy in state court. On the contrary, it may well be true that States have the sovereign right to remain immune from suit in both state and federal court, even against claims arising under federal laws enacted pursuant to Article I. *See States' Amicus Brief, Alden v. Maine*, No. 98-436, *cert. granted*, 119 S. Ct. 443 (November 9, 1998). But the States need not rely on that proposition to defend their Eleventh Amendment immunity in this case. Here, the State of Florida, as well as other States, have made a remedy available, and in this context it is abundantly clear that the States have satisfied due process. *See Appendix B*. Accordingly, Congress cannot contend that it must abrogate the States' immunity from suit in federal court to remedy a due process violation.

Furthermore, the Patent Remedy Act is a disproportionate measure under the standard set forth in *City of Boerne v. Flores*, 117 S. Ct. 2157 (1997). Finally, if Respondents' view prevails it will threaten the practical effect of the Court's holding in *Seminole Tribe*.

ARGUMENT

I. CONGRESS MAY NOT RELY ON SECTION FIVE OF THE FOURTEENTH AMENDMENT TO ABROGATE ELEVENTH AMENDMENT IMMUNITY IN A PATENT INFRINGEMENT CASE WHEN THE STATES ARE WILLING TO ENTERTAIN SUCH CASES IN THEIR OWN TRIBUNALS.

In *Seminole Tribe*, this Court held that Congress lacks the power under the Commerce Clauses of Article I, §8 to abrogate a state's Eleventh Amendment sovereign immunity. The holding and reasoning of *Seminole Tribe* apply just the same to other congressional powers enumerated in Article I, §8, including the powers granted to Congress in the Patent Clause. Indeed, both Respondent CSB and Respondent the United States concede this much, arguing instead that Congress may invoke its power to abrogate Eleventh Amendment immunity under section five of the Fourteenth Amendment to subject States to patent infringement suits in federal court.

This argument, however, cannot prevail for two very simple reasons. First, congressional power under section five of the Fourteenth Amendment is limited to remedying violations of that Amendment's provisions. Second, and more important in the context of this case, there can be no Fourteenth Amendment violation for Congress to remedy when the States are willing to entertain patent actions in their own courts.

A. Congress Has Power Under Section Five Of The Fourteenth Amendment Only To Remedy Violations Of The Amendment.

This Court recently reviewed the scope of congressional power under section five of the Fourteenth Amendment in *City of Boerne*, 117 S. Ct. at 2157. There, in striking down the Religious Freedom Restoration Act ("RFRA"), the Court explained that Congress' authority "extends only to 'enforc[ing]' the provisions of the Fourteenth Amendment." *Id.* at 2164. In contrast to this "remedial" power, however, Congress lacks authority "to decree the substance of the Fourteenth Amendment's restriction on the State." *Id.* Otherwise, "what Congress would be enforcing would not longer be, in any meaningful sense, 'the provisions of the [Fourteenth Amendment].'" *Id.* Or, as the Court aptly put the point: "Congress does not enforce a constitutional right by changing what the right is." *Id.*

These principles, of course, were not new to *City of Boerne*. On the contrary, they were first enunciated by this Court shortly after ratification of the Fourteenth Amendment. In the *Civil Rights Cases*, 109 U.S. 3 (1883), for example, the Court held that section five gives Congress no authority over matters that do not involve actual violations of section one of the Amendment. Instead, "any legislation by Congress in the matter must necessarily be corrective in its character, adopted to counteract and redress the operation of such prohibited state laws or proceedings of state officers." *Id.* at 18.

In a passage directly relevant to this case, the Court stated: "It is absurd to affirm that, because the rights of life, liberty, and property . . . are, by the Amendment, sought to be protected against invasion on the part of the State without

due process of law, Congress may, therefore, provide due process for their vindication in every case" *Id.* at 13. In other words, Congress may not anticipate the need for due process by legislating whatever civil remedies it believes would most provide due process. Instead, Congress may only redress actual violations of due process by the States. As the Court said, under section five, Congress is limited to "corrective legislation, that is, such as may be necessary and proper for counteracting [State action prohibited by the Amendment itself]." *Id.* at 13-14. (emphasis added)

B. No Fourteenth Amendment Violation Exists When A State Provides A Remedy For Patent Infringement Claims Against Itself In Its Own Courts.

Applied to the circumstances of this case, these well-settled principles mean that Congress has no power to subject the States to a particular form of remedy in federal court, just because Congress believes this remedy would be the best possible form of process, if the States have done nothing to deny due process to anyone. Yet that is precisely what Congress is trying to do in this case. When a State is alleged to have infringed a patent, there is no violation of due process unless and until the State itself fails to provide a fair and adequate proceeding in which the patent owner can present the allegations for adjudication.

It is well established that a State has not violated due process just because there is a pending allegation that the State has committed a tort of some kind. *See, e.g., Parratt v. Taylor*, 451 U.S. 527, 540 (1981), *overruled in part on other grounds by Daniels v. Williams*, 474 U.S. 327 (1986) (holding that negligence does not qualify as a deprivation for purposes of the Due Process Clause); *see also Hudson v.*

Palmer, 468 U.S. 517 (1984). Instead, a due process violation occurs, if at all, only if a State fails to afford the tort claimant *any* procedure for presenting the tort claim. But the State in *Parratt* did provide a tort remedy for "persons who believe they have suffered a tortious loss at the hands of the State," and this Court held that because this remedy "could have fully compensated the respondent for the property loss he suffered," it was "sufficient to satisfy the requirements of due process." 451 U.S. at 543-44.

Similarly, *Williamson County Regional Planning Comm. v. Hamilton Bank of Johnson City*, 473 U.S. 172 (1985), involved the attempt to bring a takings claim in federal court before the landowner had sought just compensation pursuant to the inverse condemnation procedures provided by the State. The Court held that the takings claim was premature "because the Constitution does not require pretaking compensation, and is instead satisfied by a reasonable and adequate provision for obtaining compensation after the taking." *Id.* at 195. In other words, the Court held that there was no constitutional violation for a federal court to remedy until the state court proceeding was complete and shown to be inadequate (which had not occurred in that case). "[T]he State's action is not 'complete' in the sense of causing constitutional injury 'unless or until the State fails to provide an adequate postdeprivation remedy for the property loss.'" *Id.*, quoting *Hudson v. Palmer*, 468 U.S. 517, 532 n.12 (1984).

The same point is true in this case. Respondent CSB, a bank, claims that Petitioner, a state agency charged with the responsibility of providing financial aid to college-bound residents of the State, has infringed a patent owned by the bank. Petitioner, however, contests the infringement claim, believing that its college savings program does not infringe on any patent rights owned by the bank. Thus, the allegations of

patent infringement here remain very much in dispute. The State of Florida, however, has made available in its own courts a process for adjudicating claims of patent infringement against the State. *Jacob's Wind*, 626 So. 2d at 1333. Indeed, the process that Florida has made available is the same one it uses any time a person alleges that the State has taken property without just compensation. In other words, it is similar to the kind of inverse condemnation procedure that was also available in *Williamson*.

Given the availability of a state court proceeding to vindicate a patent infringement claim, there has been no taking of property without just compensation. As in *Williamson*, there has been no violation of the Fourteenth Amendment cognizable in federal court. Similarly, because of the availability of a remedy for patent infringement in state court, Florida has not violated due process, as *Parratt* and its progeny make clear. In sum, "the Constitution is satisfied by meaningful postdeprivation process," *Williamson*, 473 U.S. at 195, which is precisely what Florida has provided.

Indeed, virtually all the States have waived their sovereign immunity to some extent in their own courts, or at least have provisions for "takings," "inverse condemnation," or tort claims in some forum. See Appendix B. These provisions could be used, as they were in Florida, to provide due process against an allegedly infringing State.

C. A Congressional Desire For Federal Court Jurisdiction Cannot Override State Sovereign Immunity In The Absence Of A Fourteenth Amendment Violation.

Because there is no Fourteenth Amendment violation in the context of this case, there is nothing for Congress to

remedy pursuant to its authority under section five of the Fourteenth Amendment. Under the principles espoused in *City of Boerne* and the *Civil Rights Cases*, as described in Point I.A. above, Congress may not require Florida or any other State to submit to a federal court procedure for adjudicating a patent infringement claim against the State just because Congress thinks that the federal process would be preferable to the state-court process that the State already has made available. Yet this is precisely what the United States would have this Court believe.

In its brief in opposition to certiorari (at pp. 5-6), the United States argued: "By affording a post-deprivation remedy for patent infringements committed by state entities, the Patent Remedy Act secures [due process]." But this argument overlooks the fact that Florida, by providing its own post-deprivation remedy for patent infringements committed by its agencies, already itself secures due process. Moreover, because Florida and virtually all other States already provide due process in this context, there is no basis for Congress to exercise section five authority.

The United States' argument essentially boils down to nothing more than that Congress would prefer its own remedy in federal court to the remedy that the States provide in state courts. But this mere preference for a federal court remedy cannot be the basis for the exercise of congressional authority under section five. On the contrary, in both *City of Boerne* and the *Civil Rights Cases*, Congress wanted to create new federal causes of action to supersede state laws. In both those cases, however, this Court ruled that this congressional desire for new federal law was an inadequate basis for legislation under section five: Congress, this Court emphasized, is limited to taking action against Fourteenth Amendment violations. As there are no Fourteenth Amendment violations here, given the availability of the state

court process, Congress has no authority under section five to insist upon its preferred federal court process.

The United States also makes much of a supposed need for national uniformity in the enforcement of patent laws. See U.S. Br. in Op. at 7 ("The substantial benefits of [exclusive Federal Circuit jurisdiction over patent appeals] would be lost in a significant class of cases if Congress were required to leave enforcement of patent rights against state entities to state courts, and disuniformities in the application of federal patent law would be the likely result.") But this concern is far overstated—indeed, entirely misplaced—in the context of patent infringement claims against the States. First of all, the history of patent infringement litigation against the States suggests there is hardly any cause for concern at all: when Congress attempted to abrogate the States' Eleventh Amendment immunity in the Patent Remedy Act, it could only identify eight patent infringement suits against the States in over a century between 1887 and 1990. See Pet. App. A at 21-23; *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343 at 1353 (1998).

Moreover, even if the volume of patent infringement claims against the States were significant, it would still pale in comparison with the number of cases against non-State parties. In all of these other cases, there would be no issue of Eleventh Amendment immunity, and Federal Circuit jurisdiction would still obtain. Thus, the interest in uniformity would still prevail in all these cases. Furthermore, precisely because the Federal Circuit would still have exclusive appellate authority over the vast bulk of patent litigation, the weight of the Federal Circuit's authority would strongly be felt in the few cases that would be litigated against the States in state courts. No state court, in other words, would decide a patent case without heeding the views of the Federal

Circuit, and thus as a practical matter the goal of national uniformity would prevail in virtually every case. Moreover, on the slight chance that a state supreme court were to step out of line, there would still be the possibility of review in this Court to preserve the necessary national uniformity. Thus, it is simply not credible to claim, as the United States has, that there would be a significant threat of disuniformity if patent infringement claims against the States must be litigated in state courts.

In any event, even if the threat of some disuniformity were realistic (which it is not), that consequence would be the inevitable price of adhering to a system of federalism that honors the States' sovereign immunity from suit in federal court, except in cases involving Fourteenth Amendment violations. Simply put, the congressional desire for uniform treatment of patent infringement claims, while perhaps understandable, is not a basis for defeating the States' constitutional right to sovereign immunity from suit in federal court. Respecting the dignity of the States as sovereign requires that these suits proceed, if at all, only in state courts. "Even when the Constitution vests in Congress complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against unconsenting States." *Seminole Tribe*, 517 U.S. at 72-73.

D. Congress May Not Assert Exclusive Federal Court Jurisdiction Over Patent Infringement Claims As A Predicate For Exercising Section Five Authority.

The Federal Circuit in this case cast doubt on the availability of a state court proceeding to hear a patent infringement claim. 148 F.3d at 1350 n.2. The court based

this doubt on the fact that the Patent Remedy Act purports to provide exclusive federal court jurisdiction over patent infringement claims. *Id.* This exclusivity of federal jurisdiction is obviously valid with respect to infringement claims against non-State defendants, but it cannot serve as a basis for abrogating state immunity from suit in federal court.

Congress may not invoke authority under Article I to preempt state court jurisdiction over suits against the States because, after *Seminole Tribe*, Congress has no authority under Article I to impose federal jurisdiction on the States. Thus, the congressional effort to provide for exclusive federal jurisdiction must yield, as far as state defendants are concerned, to the paramount constitutional value of Eleventh Amendment immunity. In other words, the state court process for claims against the State remains valid under the Supremacy Clause because Congress lacks authority under the Constitution to supersede this process with a federal court proceeding against the States.

Nor may Congress attempt to manufacture a due process violation by claiming that exclusive federal jurisdiction defeats the State's authority to provide a state court remedy that would avoid a Fourteenth Amendment violation. This kind of reasoning would be exactly backwards. The availability of the state forum defeats the need for federal jurisdiction here. Congress cannot declare the state forum null and void just to concoct a basis for exercising section five power. Section five does not support the imposition of federal jurisdiction on the States in the first place. Thus, Congress may not rely on section five to erase the due process available in state court—the due process which obviates any basis for congressional action against the States.

In sum, Congress' efforts to make federal court jurisdiction in patent cases exclusive has no applicability in the specific context of suits against the States.

II. CONGRESS' ATTEMPT TO SUBJECT STATES TO FEDERAL JURISDICTION IN PATENT CASES DEMONSTRATES A LACK OF "CONGRUENCE BETWEEN THE MEANS USED AND THE ENDS TO BE ACHIEVED."

The Patent Remedy Act has failed to honor another important teaching of *City of Boerne*. In that case, the Court observed that when Congress exercises its section five powers, "there must be a congruence between the means used and the ends to be achieved." *Id.*

The *City of Boerne* Court compared RFRA to other proper exercises of Congress' section five enforcement authority:

Regardless of the state of the legislative record, RFRA cannot be considered remedial, preventive legislation, if those terms are to have any meaning. RFRA is so out of proportion to a supposed remedial or preventive object that it cannot be understood as responsive to, or designed to prevent, unconstitutional behavior. It appears, instead, to attempt a substantive change in constitutional protections.

Id., 117 S. Ct. at 2169-70. Likewise, the Patent Remedy Act cannot be considered remedial or preventive legislation. It abrogates the sovereign immunity of the States without allowing the States themselves to vindicate the injury

complained of, and is unsupported by evidence of widespread violation of either due process or the patent laws by the States.

In this case, as in *City of Boerne*, there is no indication in the legislative history of widespread or egregious violation of patent rights by the States. Unlike the voting rights cases, where a long history of egregious violations of a federal right preceded passage of the legislation, there is no indication that Congress must discipline renegade States engaged in unconstitutional activity.

On surveying the legislative record of the Patent Remedy Act, the best that could be said about State abuse of the patent laws was that there were "significant instances" of alleged patent infringement by state entities. 148 F.3d at 1353. Even the lower court admitted that "[t]he legislative record of the Patent Remedy Act contains indications that the extent of previous patent infringement by states had not yet risen to emergency levels." *Id.*; see also Patent Remedy Clarification Act: Hearings on H.R. 3886 before the Subcomm. on Courts, Intellectual Property, and the Admin. of Justice of the House of Representatives Comm. on the Judiciary, 101st Cong. 22 (1990)(statement of Rep. Kastenmeier)("We do not have any evidence of massive or widespread violation of patent laws by the States, either with or without this immunity.") Indeed, only eight instances of lawsuits against States for patent infringement could be found between 1887 and 1990. Pet. App. A. 21-22; 148 F.3d at 1353.

Respondent United States argues that Congress "need not wait for patent infringement to reach emergency levels." United States Br. in Op., p. 7. But it would seem that eight instances in over one hundred years is hardly a cause for concern, let alone alarm.

Even more important, however, there was no finding whatsoever that the States had refused to provide *due process* to patent holders. Patent infringement, in and of itself, is not a constitutional violation. Accordingly, even if there had been egregious violation of the patent laws by the States, Congress could not act unless the States had refused to provide due process.

On this thin reed hangs Congress' justification for abrogating the States' Eleventh Amendment immunity in the Patent Remedy Act. As with RFRA, the Patent Remedy Act "is so out of proportion to a supposed remedial or preventive object that it cannot be understood as responsive to, or designed to prevent, unconstitutional behavior. It appears, instead, to attempt a substantive change in constitutional protections." *City of Boerne*, 117 S. Ct. at 1270. The decision below must be reversed.

III. RESPONDENTS' ARGUMENT, IF ACCEPTED BY THIS COURT, HAS THE POTENTIAL TO EVISCERATE THE COURT'S HOLDING IN *SEMINOLE TRIBE*.

In *Seminole Tribe*, the Court held that Congress has no power under Article I of the Constitution to abrogate the States' Eleventh Amendment immunity from suit in federal court. "[T]he Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction." *Seminole Tribe*, 517 U.S. at 72-73.

In this case, Congress has passed a statute giving individuals a property right and then, to "enforce" the Due Process Clause, abrogated the States' Eleventh Amendment

immunity with respect to suits to enforce that right, despite the fact that no constitutional right had been violated, or was even threatened. This potential expansion of the Fourteenth Amendment completely circumvents the principles articulated in *Seminole Tribe*, and, as a practical matter, could reduce the Eleventh Amendment to nothing. In other words, what this Court took away from Congress under Article I, Respondents would give back under the Fourteenth Amendment.

Respondents' theory has implications well beyond patent law. If Respondents' view prevails, there is little limit to the reach of the Congressional power for making the States amenable to suit in federal courts. An analysis similar to that employed by the Federal Circuit could be used to permit Congressional abrogation of state immunity in all of the vast number of contexts arising from Article I, even where no violation or potential violation of a constitutional right exists.

Indeed, arguments similar to that employed by CSB and adopted by the Federal Circuit have already been used in a number of cases in which Congress has tried to abrogate the States' immunity under similar Article I powers. For example, an almost identical argument has been made in the copyright context: in *Chavez v. Arte Publico Press*, 139 F.3d 504 (5th Cir. 1998), *reh'g granted*, the Fifth Circuit addressed whether a claim similar to the one at issue here could be brought in federal court to vindicate an alleged copyright violation. Another similar claim was rejected in the bankruptcy context by the Fourth Circuit. *In re Creative Goldsmiths*, 119 F.3d 1140, 1146-47 (4th Cir. 1997); *see also In re Sacred Heart Hospital of Norristown*, 133 F.3d 237 (3d Cir. 1998); *In re Light*, 1996 U.S. App LEXIS 16575, (9th Cir. June 20, 1996).

Even more to the point, Respondents' theory would nullify many Eleventh Amendment cases decided by this

Court. The Court's recent decision in *Idaho v. Coeur d'Alene Tribe of Idaho*, 521 U.S. 261 (1997), is illustrative on that point. That case, like this one, involved a claim that a State had violated another party's property rights. There the specific property claim was an Indian tribe's claim to aboriginal land. The Court in *Coeur d'Alene* held that the Eleventh Amendment was clearly a bar to the lawsuit. If Respondents' theory were to prevail, the tribe in *Coeur d'Alene* could have eliminated the Eleventh Amendment bar simply by alleging that the State's failure to provide it a federal forum constituted a violation of the Due Process Clause of the Fourteenth Amendment. Yet such a theory was entirely contrary to the tenor of this Court's consideration of the Eleventh Amendment in *Coeur d'Alene*.

This Court in *Coeur d'Alene*, as in *Seminole Tribe*, properly protected the States' sovereign right to be immune from suit in federal court. Consistent with those decisions, the Court in this case should rule likewise that Congress has no power to force States to defend patent infringement claims in federal court. The attempt at invoking the Fourteenth Amendment, to circumvent the limits on Congress' powers under Article I, should not alter this conclusion. This point is especially true where, as here, States are prepared to provide adequate remedies in state court. In this circumstance, it is abundantly evident that there is no basis for invoking the Due Process Clause of the Fourteenth Amendment to permit an abrogation of the States' sovereign rights to Eleventh Amendment immunity. Thus, in this case the Fourteenth Amendment affords no basis to disturb the fundamental principles of Eleventh Amendment immunity articulated in *Seminole Tribe* and *Coeur d'Alene*.

CONCLUSION

For the foregoing reasons, the Court should reverse the decision below.

Respectfully submitted,

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APPENDIX A

STATE PROGRAMS FOR PREPAID TUITION

State	Law	Litigation
Alabama	Ala. Code § 16-33C-6 (1991)	threatened by CSB
Alaska	Alaska Stat. § 14.40.803-14.40.817 (1991)	
Arkansas	Ark. Stat. Ann. § 6-62-901 <i>et seq.</i> (start in '99) (1977)	
Colorado	Colo. Rev. Stat. § 23-3.1 <i>et seq.</i>	
Florida	Fla. Stat. § 240.551(1), (3)	suit filed by CSB
Illinois	110 Illinois Comp. Stat. 979/1 <i>et seq.</i>	threatened by CSB
Maryland	Md. Code § 18-1902 <i>et seq.</i> (1997)	threatened by CSB
Massachusetts	Mass. Gen. Laws 15C	
Michigan	Mich. Comp. Laws Ann. § 390.1427 (West 1988)	threatened by CSB

State	Law	Litigation
Mississippi	Miss. Code § 37-355-1 <i>et seq.</i>	threatened by CSB
Nevada	Nev. Rev. Stat. Chap. 353(B)	threatened by CSB
Ohio	Ohio Rev. Code Ann. 3334.02 (1990 & Supp. 1994)	threatened by CSB
Pennsylvania	Pa. Cons. Stat. § 6901.309(c)(1992)	
South Carolina	S.C. Code Ann. § 59-4-10; Budg. & Contol. Regs R. 19-2000 <i>et seq.</i>	threatened by CSB
Tennessee	Tenn. Code Ann. § 49-7-801 (1998)	
Texas	Tex. Code Ann. § 54.633 (1995)	threatened by CSB
Virginia	Va. Code Ann. § 23-38.75 <i>et seq.</i>	threatened by CSB
Washington	Wash. Rev. Code 28B.95.010 <i>et seq.</i>	

State	Law	Litigation
West Virginia	West. Va. Code § 1830 <i>et seq.</i>	threatened by CSB
Wyoming	Wyo. Stat. § 21-16-502 (1991)	

APPENDIX B

**WAIVER OF SOVEREIGN IMMUNITY AND
TAKINGS, INVERSE CONDEMNATION AND TORT
CLAIMS PROVISIONS IN STATE LAW**

State	Waiver	Takings, inverse condemnation or general tort actions
Alabama	No waiver in court	Ala. Const. Art. I § 23 (takings) Code of Ala. § 41-9-60 <i>et seq.</i> (general claims against State; administrative commission)
Alaska	A.k. Const. Art. II §21	A.k. Const. Art. I § 18; Stat. 9.50.250 (tort claims)
Arizona		Ariz. Const. Art. II § 17 (takings); A.R.S. §11-972 (inverse condemnation)
Arkansas	no waiver	Ark. Const. Art. 2, § 22 (takings)

State	Waiver	Takings, inverse condemnation or general tort actions
California	Cal. Const. Art III § 5	Cal. Const. Art I, § 19; Code of Civ Proc. §§ 1250.110, 1268.350 (inverse condemnation)
Colorado	C.R.S. 24-10-104, 105, 106 (tort)	C.R.S. 24-56-116 (inverse condemnation)
Connecticut		Conn. Const. Art. I, § 10 (1997) (open courts); § 11 (1997) (takings); Conn. Gen. Stat. § 48-17b (inverse condemnation)
Delaware	Del. Const. art I, § 9 (1998)	10 Del. C. § 4000 <i>et seq.</i> (1998) (tort claims act); 10 Del. C. Ch. 61 § 6101-15 (1998); 29 Del. C. Ch. 95, § 9504 (1998) (inverse condemnation)

State	Waiver	Takings, inverse condemnation or general tort actions
Florida	Fl. Stat. § 768.28	Fla. Const. Art. I, § 9, Art. X, § 6(a) (takings); Fla. Stat. § 11.065 (claims bill); <i>Jacob's Wind Elec. Co. v. Florida Dept. of Transp.</i> , 626 So. 2d 1333 (takings applied to patent infringement).
Georgia	Ga. Const. Art. I § II, para. IX (1998) (tort claims); O.C.G.A. § 50-21-1 <i>et seq.</i> (1998) (contract)	O.C.G.A. § 50-21-1 <i>et seq.</i> (1998) (contract)
Hawaii	H.R.S. § 662-2 (1998) (torts)	H.R.S. § 113-4 (1998) (inverse condemnation) H.R.S. § 662-2 (1998) (torts)
Idaho	Idaho Code § 6-901 <i>et seq.</i>	Idaho Const. Art I § 14 (1998)

State	Waiver	Takings, inverse condemnation or general tort actions
Illinois	Ill. Const. Art. 13, § 4(1998)	Ill. Const. Art 1 § 15 (1998) (takings) 705 ILCS 505/8 (1998) (tort claims)
Indiana	Ind. Const. Art. 4, § 24	Ind. Const. Art. 1, § 21 (1998)
Iowa		Iowa Code § 25.1 <i>et seq.</i> (1997) (general claims); Iowa Code § 669.1 <i>et seq.</i> (1997) (tort claims)
Kansas		K.S.A. § 60-614 (1997) (takings); K.S.A. § 75-6013 (1997) (tort claims)
Kentucky	Ky. Const. § 231	K.R.S. § 44.072 (1996) (tort claims)
Louisiana	La. R.S. 24:152 (1998)	La. R.S. 34:1538 (1998) (tort claims)

State	Waiver	Takings, inverse condemnation or general tort actions
Maine	14 M.R.S. § 8104-A (1997) (tort)	14 M.R.S. § 8101 <i>et seq.</i> (1997) (tort claims)
Maryland	Md. State Govt. Code Ann. § 12-101 <i>et seq.</i> (1998); § 5-522 (tort claims)	Md. Code. Ann. §IL-101 <i>et seq.</i> (1998) (tort claims)
Massachusetts		Mass. Ann. Laws ch. 258, § 1 <i>et seq.</i> (1998) (tort claims)
Michigan		MSA Const. 1963, Art. X § 2 (1999) (takings)
Minnesota	Minn. Stat. Ann § 3.751 (1998) (contracts only)	Minn. Stat. Ann. § 3.736 (1998) (tort claims)
Mississippi	Miss. Code Ann. § 11-46-5 (1998)	Miss. Const Ann. Art. 3 §17 Miss. Code Ann. § 43-37-9 (1998)

State	Waiver	Takings, inverse condemnation or general tort actions
Missouri	§ 537.610 R.S. Mo. (1997) (up to \$1 million)	
Montana	Const. Art. II §18; Mont. Code Anno. §2-9-102 (1998)	Mont. Code Anno. §2-9-102 (1998)
Nebraska	Neb. Const. Art. 5, § 22 (1998); R.R.S. Neb. § 81-8,215	R.R.S. Neb. § 81-8,209 <i>et seq.</i> (tort claims)
Nevada	N.R.S. 41.031	N.R.S. 37.110
New Hampshire	N.H.R.S.A. 541-B:1 <i>et seq.</i>	N.H. Const. pt. 1 art. 2,12. (takings); <i>Burrows v. City of Keene</i> , 432 A.2d 15 (1981) N.H.R.S.A. 541-B:1 <i>et seq.</i> (tort & property claims).
New Jersey	N.J.Stat. § 59:1-1 <i>et seq.</i> (1998)	N.J.Stat. § 59:1-1 <i>et seq.</i> (1998)

State	Waiver	Takings, inverse condemnation or general tort actions
New Mexico	N.M. Stat. Ann. § 41-4-1 <i>et seq.</i> (1998)	N.M. Stat. Ann. § 42a-1-1 <i>et seq.</i> (1998) (condemnation) § 41-4-1 <i>et seq.</i> (1998) (tort claims)
New York	N.Y. Ct. Cl. Act § 9(2) (McKinney 1989)	N.Y. Ct. Cl. Act § 9(2) (McKinney 1989)
North Carolina	<i>De Bruhl v. State Highway and Public Works Comm.</i> 247 N.C. 671 (1958);	Const. Art. I, Sec. 19 (takings); N.C. Gen. Stat. § 40A-51- (inverse condemnation) (1997)
North Dakota	Judicially abolished; <i>Bulman v. Hulstrand Co.</i> , 521 N.W. 2d 632	N.D. Cent. Code § 32-15-32 (1998)

State	Waiver	Takings, inverse condemnation or general tort actions
Ohio	O.R.C. 2743.02	Ohio Const. Art. I §19 (takings); O.R.C. 2743.01 <i>et seq.</i> (1998) (general)
Oklahoma	51 Ok. St. § 152.1 (1998)	Okla. Const. Art. II, §24 (takings) 51 Okl. St. §151 <i>et seq.</i> (1998) (tort claims)
Oregon	Or. Rev. Stat. Ann. § 30.265 (1997)	Or. Const. section 18, Art. I; section 4, Art XI; Or. Rev. Stat. § 20.085 (inverse condemnation); Or. Rev. Stat. § 30.260 <i>et. seq.</i> (1997) (tort claims)
Pennsylvania	1 Pa.C.S. §2310 (1998)	
Rhode Island	R.I. Gen Laws § 9-31-1 (1998)	R.I. Gen. Laws §9-31-1 (1998) (tort claims)

State	Waiver	Takings, inverse condemnation or general tort actions
South Carolina	S.C. Const. Ann. Art. XVII §2 (1998); S.C. Code Ann. §15-78-20 (1998)	S.C. Const. Ann. Art. I, §13 (1998); S.C. Code Ann. §15-78-20 (1998)
South Dakota		S.D. Const. Art. VI, §13 (1999) (takings)
Tennessee	Tenn. Const. art. I, §17 (1998)	Tenn. Code Ann. § 29-20-404 (1998)
Texas	Tx. Civ. Prac. & Rem. Code §101.025 (1999) (tort claims)	Const. Art. I Sec. 17 (takings); Tx. Civ. Prac. & Rem. Code §101.025 (1999) (tort claims)
Utah	Ut. Const. Art. I, § 22 Utah Code Ann. § 63-30-10.5(1997)	Ut. Const. Art. I, § 22; Utah Code Ann. §63-30-10.5 (1997)

State	Waiver	Takings, inverse condemnation or general tort actions
Vermont	29 V.S.A. §1403 <i>et seq.</i>	Vt. Const. Ch. I, art. 2 (1998) (takings); 19 V.S.A. §512 (1998) (takings and inverse condemnation); 12 V.S.A. § 5601 (1998) (tort claims)
Virginia	Va. Const. Art. I § 11 (inverse condemnation)	Va. Code Ann. §8.01-187 (inverse condemnation)
Washington	Wash. Const. Art. II, §26	Rev. Code Wash. § 4.92.090 (tort claims)
West Virginia	no waiver	
Wisconsin	Wis. Const. Art. IV, §27 (general); Wis. Const. Art. I, §13 (takings)	Wis. Const. Art. I, §13 (takings)

State	Waiver	Takings, inverse condemnation or general tort actions
Wyoming	Wyo. Const. art 1, §8	Wyo Stat. §1- 26-516 (inverse condemnation); Wyo. Stat. §1- 39-102 (1999)

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No. 98-531

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,
v. *Petitioner,*

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,
Respondents.

On Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

BRIEF OF THE NATIONAL CONFERENCE OF
STATE LEGISLATURES, COUNCIL OF STATE
GOVERNMENTS, NATIONAL GOVERNORS'
ASSOCIATION, NATIONAL ASSOCIATION OF
COUNTIES, NATIONAL LEAGUE OF CITIES,
INTERNATIONAL CITY/COUNTY MANAGEMENT
ASSOCIATION AND U.S. CONFERENCE OF MAYORS
AS *AMICI CURIAE* SUPPORTING PETITIONER

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QUESTION PRESENTED

Whether the Patent Remedy Act was passed pursuant to a constitutional provision granting Congress the power to abrogate the States' Eleventh Amendment immunity.

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AS *AMICI CURIAE* SUPPORTING PETITIONER

INTEREST OF THE *AMICI CURIAE*

Amici are organizations whose members include state, county and municipal governments and officials throughout the United States. *Amici* have a compelling interest in legal issues that affect state and local governments.¹

¹ Pursuant to Rule 37.3 of the Rules of this Court, the parties have consented to the filing of this brief *amicus*

The Eleventh Amendment is one of the principal constitutional protections of state sovereignty. It confirms that "each State is a sovereign entity in our federal system" and that "[i]t is inherent in the nature of sovereignty not to be amenable to the suit of an individual without its consent." *Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 54 (1996) (citations omitted). As the Court recently held,

Even when the Constitution vests in Congress complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against unconsenting States. The Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction.

Id. at 72-73 (footnote omitted).

Notwithstanding the clarity of *Seminole Tribe*, the court of appeals ruled that Congress can abrogate the States' Eleventh Amendment immunity when enacting Article I legislation under the Patent Clause. It based its holding on an insupportably broad view of the scope of Congress' enforcement powers under § 5 of the Fourteenth Amendment. The court below disregarded the fundamental feature of § 5—that it is limited to remedying state deprivations of property "without due process of law," U.S. Const. amend.

curiae. Their letters of consent have been filed with the Clerk of the Court.

Pursuant to Rule 37.6, *amici* state that this brief was not authored in whole or in part by counsel for a party, and no person or entity, other than *amici* or their members, made a monetary contribution to the preparation or submission of this brief.

XIV, § 1—and the fact that Florida provides remedies for damages arising from patent infringement by the State that satisfy due process.

Because of the importance of these issues to *amici* and their members, *amici* submit this brief to assist the Court in its resolution of this case.

SUMMARY OF ARGUMENT

The core inquiry in this case is whether the Patent Remedy Act was passed pursuant to a constitutional provision that grants Congress the power to abrogate the States' Eleventh Amendment immunity. *Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 59 (1996). The answer is negative. Because it is an exercise of Congress' Article I Patent Clause power, the Act cannot abrogate the States' immunity. Moreover, it is not a valid exercise of Congress' power to enforce the Due Process Clause of the Fourteenth Amendment. The judgment of the court of appeals should therefore be reversed.

A. The Patent Remedy Act is a classic exercise of Congress' authority to enact patent legislation under the Patent Clause of Article I. The Act expands the federal remedies available to patentees suing States for patent infringement by providing that "all the remedies can be obtained in such suit that can be obtained in a suit against a private entity." Pub. L. 102-560, preamble. Because Congress enacted the Patent Remedy Act pursuant to an Article I power, it is invalid insofar as it purports to abrogate the States' Eleventh Amendment immunity from suit in federal court. *Seminole Tribe*, 517 U.S. at 72-73.

B. The Act is not a valid exercise of Congress' § 5 powers to enforce the substantive prohibitions of the

Fourteenth Amendment. Congress' authority under § 5 is limited to enacting legislation that "is needed to secure the guarantees of the Fourteenth Amendment." *City of Boerne v. Flores*, 117 S.Ct. 2157, 2172 (1997) (citation and internal quotations omitted). The pertinent substantive provision of the Fourteenth Amendment prohibits state deprivations of property "without due process of law." U.S. Const. amend. XIV, § 1.

In enforcing the Fourteenth Amendment, Congress does not have a general police power to remedy any property deprivations by States, but is limited to remedying deprivations of property without due process. Because Florida law provides adequate damages remedies to persons alleging patent infringement by the State, see *Jacobs Wind Electric Co., Inc. v. Dept. of Transportation*, 626 So.2d 1333, 1337 (Fla. 1993); see also Fla. Stat. § 11.065, the Patent Remedy Act exceeds Congress' remedial powers under § 5.

This conclusion is supported by the Court's analysis of the requirements of the Due Process Clause in *Parratt v. Taylor*, 451 U.S. 527 (1981), and related cases. As the Court held in *Parratt*, nothing in the Fourteenth Amendment "protects against all deprivations of life, liberty, or property by the State. The Fourteenth Amendment protects only against deprivations 'without due process of law.'" *Id.* at 537.

The Patent Remedy Act is invalid under § 5 for yet another reason. Section 5 legislation must reflect "a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." *City of Boerne*, 117 S.Ct. at 2164. There is no evidence that patent infringement by States or state agencies is a pervasive national prob-

lem that requires an intrusive federal remedy under § 5.

On the contrary, as even the House sponsor of the Act acknowledged prior to its enactment, "We do not have any evidence of massive or widespread violations of patent laws by the States." *Patent Remedy Clarification Act: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary*, 101st Cong., 2d Sess. 22 (1990) (statement of Rep. Kasteneier). The legislative history confirms that "states are willing and able to respect patent rights. The fact that there are so few reported cases involving patent infringement claims against states underlines the point." *Id.* at 56 (statement of William S. Thompson, President, American Intellectual Property Law Association).

In upholding the Patent Remedy Act as a valid § 5 enactment, the court of appeals was motivated in part by its view that if remedies under the federal patent laws were not available, patentees would have insufficient protection against infringement by States. But that view disregards the remedies that are in fact available to patentees not only in federal courts, see *Seminole Tribe*, 517 U.S. at 72 n.16 (citing *Ex parte Young*, 209 U.S. 123 (1908)), but in state courts as well.

ARGUMENT

THE PATENT REMEDY ACT WAS NOT PASSED PURSUANT TO A CONSTITUTIONAL PROVISION GRANTING CONGRESS THE POWER TO ABROGATE THE STATES' ELEVENTH AMENDMENT IMMUNITY

In any case in which Congress claims the power to abrogate the States' Eleventh Amendment immunity from suit in federal court, the core inquiry is: "Was

the Act in question passed pursuant to a constitutional provision granting Congress the power to abrogate?" *Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 59 (1996). Contrary to the holding of the court of appeals, that question must be answered in the negative in this case.

The Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560 ("Patent Remedy Act") is a classic exercise of Congress' legislative authority under the Article I Patent Clause. It is not, however, a valid exercise of Congress' power under § 5 of the Fourteenth Amendment. Section 5 authorizes Congress to remedy only state deprivations of property "without due process of law," U.S. Const. amend. XIV, § 1, and Florida provides remedies for damages arising from patent infringement that satisfy due process. See *Jacobs Wind Electric Co., Inc. v. Dept. of Transportation*, 626 So.2d 1333, 1337 (Fla. 1993); see also Fla. Stat. § 11.065. The judgment of the court of appeals should therefore be reversed.

A. The Patent Remedy Act Is Garden Variety Patent Clause Legislation, And The Patent Clause Does Not Empowers Congress To Abrogate State Immunity

"Under our Constitution, the Federal Government is one of enumerated powers" that are both "defined and limited." *City of Boerne v. Flores*, 117 S.Ct. 2157, 2162 (1997) (quoting *Marbury v. Madison*, 1 Cranch 137, 176 (1803)). See also *United States v. Lopez*, 514 U.S. 549, 552 (1995) (" '[T]he powers delegated by the . . . Constitution to the federal government are few and defined. Those which are to remain in the State governments are numerous and indefinite.' ") (quoting *The Federalist* No. 45, 292-93 (James Madison) (C. Rossiter ed. 1961)).

Congress' power to enact patent legislation is set forth in the Patent Clause, U.S. Const. art. I, § 8, cl. 8, one of the most precisely enumerated legislative powers of the Federal Government. "[T]he federal patent power stems from a specific constitutional provision which authorizes the Congress 'To promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries.'" *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 5 (1966) (quoting U.S. Const. art. I, § 8, cl. 8). As this Court more recently reaffirmed,

The Patent Clause . . . reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the "Progress of Science and useful Arts." As we have noted in the past, the Clause contains both a grant of power and certain limitations upon the exercise of that power.

Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 146 (1989).

The federal patent power is, of course, not self-executing; "[p]atent rights exist only by virtue of statute." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 & n.5 (1964) (citing *Wheaton v. Peters*, 8 Pet. 591, 658 (1834)). The Patent Remedy Act is simply one more in a long line of Patent Clause enactments stretching back to the opening days of the republic. Indeed, "[s]oon after the adoption of the Constitution, the First Congress enacted the Patent Act of 1790." *Bonito Boats*, 489 U.S. at 146. The legislative history of the Patent Remedy Act itself forcefully makes the point that when Congress enacts

patent legislation, it is acting pursuant to power conferred by the Patent Clause:

Congress has explicit authority under Article 1, section 8, clause 8 of the U.S. Constitution to promote the progress of science and the useful arts by granting inventors exclusive rights to their inventions. Pursuant to this authority, Congress enacted a patent statute in 1790, and has significantly revised that law three times—in 1793, 1836 and most recently in 1952. The Patent Act sets forth the requirements that must be met for the issuance of a patent, and the rights of the patent holder to protect against infringement, including the right to seek a remedy in Federal court.

H.R. Rep. No. 960, 101st Cong., 2d Sess. 34 (1990) (footnote omitted).

Like much earlier Patent Clause legislation, the Patent Remedy Act provides remedies for patentees. As its preamble states, the purpose of the Act is to “clarify” that States and state officials “are subject to suit in Federal court by any person for infringement of patents” and that “all the remedies can be obtained in such suit that can be obtained in a suit against a private entity.” Pub. L. No. 102-560, preamble. Section 2 adds a new subsection to § 271 of Title 35 which provides that States and state officials “shall be subject to the provisions of this title in the same manner and to the same extent as any non-governmental entity.” P.L. 102-560, sec. 2, codified at 35 U.S.C. § 271(h). Section 2 further provides that, in a patent infringement action against States and state officials, Eleventh Amendment immunity shall not be available and that “remedies (including remedies both at law and in equity) are available

for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity,” including “damages, interest, costs, . . . treble damages, [and] attorney fees.” *Id.*, codified at 35 U.S.C. § 296.

The Patent Remedy Act—which simply expands the federal remedies available for persons suing States for patent infringement by providing that “all the remedies can be obtained in such suit that can be obtained in a suit against a private entity,” Pub. L. 102-560, preamble—is thus garden variety Patent Clause legislation. See S. Rep. No. 280, 102d Cong., 2d Sess. 7-8 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087, 3093-94; H.R. Rep. No. 960 at 34. Because the Act merely enhances the remedies available for substantive rights created by other patent statutes, it is authorized by the same constitutional grant of authority as those other statutes—the Patent Clause. And because the Patent Remedy Act was enacted pursuant to this Article I power, it is invalid to the extent it purports to abrogate the States’ Eleventh Amendment immunity from suit in federal court. *Seminole Tribe*, 517 U.S. at 72-73.²

² As the Court’s treatment of *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), in *Seminole Tribe* suggests, simply because an Article I enactment creates a monetary remedy against States does not mean that the statute protects “property” under the Fourteenth Amendment. This point has repeatedly been made by the courts of appeals in post-*Seminole* decisions.

“If a state’s conduct impacting on a business always implicated the Fourteenth Amendment, Congress would have almost unrestricted power to subject states to suit through the exercise of its abrogation power.” *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*,

The reasoning of the Court in *Seminole* as to the invalidity of Congress' attempted abrogation in CERCLA and the Indian Gaming Regulatory Act is fully applicable to the abrogation attempted by Congress in the Patent Remedy Act:

Even when the Constitution vests in Congress complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against unconsenting States. The Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction.

517 U.S. at 72-73 (footnote omitted).³ The Patent Remedy Act, an Article I enactment, is invalid insofar as it seeks to abrogate the States' Eleventh Amendment immunity.

131 F.3d 353, 361 (3d Cir. 1997), *cert. granted*, 67 U.S.L.W. 3433 (U.S. Jan 8, 1999) (No. 98-149). See also *In re Creative Goldsmiths of Washington, D.C., Inc.*, 119 F.3d 1140, 1146-47 (4th Cir. 1997) ("If the Fourteenth Amendment is held to apply so broadly as to justify Congress' enactment of the Bankruptcy Code as a requirement of due process, then the same argument would justify every federal enforcement scheme as a requirement of due process under the Fourteenth Amendment."), *cert. denied*, 118 S.Ct. 1517 (1998); *In re Sacred Heart Hospital of Norristown*, 133 F.3d 237, 243 (3d Cir. 1998) ("[T]here is simply no principled basis to distinguish the Bankruptcy Clause from other Article I clauses.").

³ Even Justice Stevens' dissent in *Seminole Tribe* presumes that a patent statute which creates remedies against States is Article I legislation that is proscribed by the Court's holding in that case. See *Seminole Tribe*, 517 U.S. at 77 & n.1 (Stevens, J., dissenting).

B. The Patent Remedy Act Is Not Sustainable As An Exercise Of Congress' § 5 Power To Enforce The Substantive Prohibitions Of The Fourteenth Amendment

In addition to relying on its Article I powers to support the enactment of the Patent Remedy Act, the legislative history indicates that Congress invoked its power to enforce § 5 of the Fourteenth Amendment. See S. Rep. No. 280 at 7-8, reprinted at 1992 U.S.C.C.A.N. at 3093-94; H.R. Rep. No. 960 at 40. It was on this basis that the court of appeals sustained the Act as a valid abrogation of the States' Eleventh Amendment immunity. See Pet. App. 17a-18a (citing *Fitzpatrick v. Bitzer*, 427 U.S. 445, 455-56 (1976)).

It is axiomatic that "[t]he question of the constitutionality of action taken by Congress does not depend on recitals of the power which it undertakes to exercise." *Woods v. Cloyd W. Miller Co.*, 333 U.S. 138, 144 (1948). Under the Court's § 5 jurisprudence, the Patent Remedy Act is not sustainable as an exercise of Congress' § 5 enforcement power.

1. Congress' § 5 Enforcement Power Is Not A General Lawmaking Power But Is An Extraordinary Power Limited To Enforcing The Substantive Prohibitions Of § 1 Of The Fourteenth Amendment

Section 5 is a grant of legislative power that encompasses authority to override the States' Eleventh Amendment immunity. *Seminole Tribe*, 517 U.S. at 59 (citing *Fitzpatrick*, 427 U.S. at 452-56). "It is also true, however, that '[a]s broad as the congressional enforcement power is, it is not unlimited.'" *City of Boerne*, 117 S.Ct. at 2163 (citation omitted).

As the text of § 5 itself makes clear, Congress' authority is limited to "enforc[ing], by appropriate legislation, the provisions of [the Fourteenth Amendment]." U.S. Const. amend. XIV, § 5. Congress' § 5 power is thus not 'plenary but remedial. Congress was granted the power to make the substantive constitutional prohibitions against the States effective.' *City of Boerne*, 117 S.Ct. at 2165. Thus, § 5 does not confer upon Congress a general police power. Rather, Congress' authority under § 5 is limited to enacting legislation that "'is needed to secure the guarantees of the Fourteenth Amendment.'" *City of Boerne*, 117 S.Ct. at 2172 (quoting *Katzenbach v. Morgan*, 384 U.S. 641, 651 (1966)) (emphasis added).

The Court demonstrated in *City of Boerne* that "[t]he Fourteenth Amendment's history confirms the remedial, rather than substantive, nature of the Enforcement Clause." *Id.* at 2164. An initial draft of the Fourteenth Amendment was rejected because it "gave Congress too much legislative power at the expense of the existing constitutional structure." *Id.* Members of both parties criticized the draft because it "would give Congress a power to intrude into traditional areas of state responsibility, a power inconsistent with the federal design central to the Constitution," by "permit[ting] 'Congress to legislate fully upon all subjects affecting life, liberty, and property,' such that 'there would not be much left for the State Legislatures.'" *Id.* (quoting Cong. Globe, 39th Cong., 1st Sess. 1082 (statement of Sen. Stewart)).

As a result of these concerns, the Fourteenth Amendment limits Congress' legislative power to protecting citizens' constitutional rights "'whenever the

same shall be abridged or denied by the unconstitutional acts of any State.'" *City of Boerne*, 117 S.Ct. at 2165 (quoting Cong. Globe at 2542 (statement of Rep. Bingham)). Congress' Fourteenth Amendment powers "'are only prohibitive, corrective, vetoing, aimed only at undue process of law.'" *Id.* (quoting H. Brannon, *The Rights and Privileges Guaranteed by the Fourteenth Amendment to the Constitution of the United States* 387 (1901)) (emphasis added). In short, as this Court made clear in *City of Boerne*, "[r]emedial legislation under § 5 'should be adapted to the mischief and wrong which the [Fourteenth] [A]mendment was intended to provide against.'" *Id.* at 2170 (quoting *Civil Rights Cases*, 109 U.S. 3, 13 (1883)).

2. The Patent Remedy Act Is Not Valid § 5 Enforcement Legislation

It is apparent that the Patent Remedy Act is in no way limited to remedying infringements of the substantive prohibitions of the Fourteenth Amendment. The pertinent prohibition of the Fourteenth Amendment is broad but specific: "nor shall any State deprive any person of . . . property, without due process of law." U.S. Const. amend. XIV, § 1. The constitutional proscription thus is not, as the court of appeals believed, against the deprivation of property, but is against the deprivation of property *without due process of law*. Because Florida law provides adequate damages remedies to persons alleging patent infringement by the State, see *Jacobs Wind Electric Co. v. Dept. of Transportation*, 626 So.2d 1333, 1337 (Fla. 1993); see also Fla. Stat. § 11.065, the Patent Remedy Act exceeds Congress' remedial powers under § 5.

This conclusion is supported by the Court's analysis of the requirements of the Due Process Clause in *Parratt v. Taylor*, 451 U.S. 527 (1981) and related cases. In *Parratt* the plaintiff claimed that state officials had negligently deprived him of property without due process of law in violation of the Fourteenth Amendment but did not allege that the State had failed to provide him with adequate process to vindicate his claim.⁴ The Court held that the availability of adequate state process was fatal to his prayer for relief under the Fourteenth Amendment. "Nothing in that Amendment," the Court reasoned,

protects against all deprivations of life, liberty, or property by the State. The Fourteenth Amendment protects only against deprivations "without due process of law." Our inquiry therefore must focus on whether the respondent has suffered a deprivation of property without due process of law. In particular, we must decide whether the tort remedies which the State of Nebraska provides as a means of redress for property deprivations satisfy the requirements of procedural due process.

451 U.S. at 537.

As the Court later explained the holding of *Parratt*, "[i]n procedural due process claims, the deprivation by state action of a constitutionally protected interest in 'life, liberty, or property' is not in itself

⁴ The plaintiff in *Parratt* alleged only a negligent deprivation of property. See 451 U.S. at 530-31. While deemed sufficient in that case to state a claim for a violation of the Due Process Clause, the Court subsequently held that an allegation of negligence is insufficient to state a claim for relief under the Due Process Clause of the Fourteenth Amendment. See *Daniels v. Williams*, 474 U.S. 327 (1986).

unconstitutional; what is unconstitutional is the deprivation of such an interest *without due process of law*." *Zinermon v. Burch*, 494 U.S. 113, 125-26 (1990) (citing *Parratt*, 451 U.S. at 237; *Carey v. Piphus*, 435 U.S. 247, 259 (1978)). Consequently, "[t]he constitutional violation actionable under § 1983 is not complete when the deprivation occurs; it is not complete unless and until the State fails to provide due process." *Id.* at 126.

In *Parratt* the Court examined the legal remedies available to the plaintiff under Nebraska law and found that they satisfied the requirements of due process. The Court rejected the plaintiff's contention that the State's remedies were somehow insufficient because they did not provide him "with all the relief which may have been available if he could have proceeded under" his asserted federal statutory remedy. *Id.* at 544. Because the state remedies "could have fully compensated the [plaintiff] for the property loss he suffered," the Court held that they were "sufficient to satisfy the requirements of due process." *Id.* See also *Hudson v. Palmer*, 468 U.S. 517, 533-34 (1984) (extending holding of *Parratt* to intentional deprivations of property that are random and unauthorized). Cf. *Williamson County Reg. Planning Comm'n v. Hamilton Bank*, 473 U.S. 172, 194 (1985) (taking clause of Fifth Amendment "does not proscribe the taking of property; it proscribes taking without just compensation" and is satisfied provided "reasonable, certain and adequate provision" for compensation "exist at the time of the taking") (internal quotation marks and citation omitted).

The remedies available to respondent under Florida law satisfy the requirements of due process and demonstrate that the invocation of a federal statutory

remedy is impermissible.⁵ These remedies consist of claims for taking and conversion as set forth in case law, *Jacobs Wind Electric Co.*, 626 So.2d at 1337 (patent holder "may assert takings and conversion claims in state court" against the State); see also *Jacobs Wind Electric Co., Inc. v. Florida Dept. of Transportation*, 919 F.2d 726, 728 (Fed. Cir. 1990), and the statutory remedy of a claims bill "for payment in full" presentable to the Florida Legislature, Fla. Stat. § 11.065; see *Jacobs Wind*, 919 F.2d at 728.⁶ Indeed, even the court below acknowledged

⁵ In the unlikely event state patent infringement were shown to be something other than random and unauthorized, the equitable relief available under federal law, see discussion *infra* at 22, taken together with state takings and conversion remedies, would suffice to satisfy the requirements of due process.

⁶ The court of appeals for the Federal Circuit has commented as follows on the remedies available under Florida law to persons seeking relief for patent infringement against the State of Florida:

[The plaintiff's] contentions that it is left without any remedy in Florida and that a Florida court cannot pass on the validity of a patent are simply wrong. . . . Jacobs could have sought relief in the Florida Legislature through a claims bill, but chose instead to file a patent infringement suit in U.S. district court. Jacobs also may assert a "takings" claim against the state under the Fifth and Fourteenth Amendments.

Jacobs Wind, 919 F.2d at 728 (citing *Ruckelshaus v. Monsanto*, 467 U.S. 986 (1984); *Chew v. State of California*, 893 F.2d 331 (Fed. Cir. 1990)). And, the court added, "although a state court is without power to invalidate an issued patent, there is no limitation on the ability of a state court to decide the question of validity when properly raised in a state court proceeding." *Id.* (citing *Lear v. Adkins*, 395 U.S. 653 (1969)).

that § 11.065 "most likely provides sufficient process to preclude a violation of the Fourteenth Amendment." Pet. App. 14a.

The court of appeals offered two reasons for rejecting the argument that "even if [the State] has deprived College Savings of its property, it has not done so without providing due process." *Id.* at 13a. The first was that "Congress may forbid even state conduct that is not unconstitutional so long as the legislation is aimed at preventing a violation." *Id.* at 14a. While unquestionably correct as an abstract statement of law, see *City of Boerne*, 117 S.Ct. at 2163, this principle does not support a holding that Congress can legislate federal remedies for state deprivations of property even when the State itself provides adequate remedies.

The two cases cited by the court of appeals as instances of the application of this general proposition are Voting Rights Act cases, see Pet. App. 14a (citing *South Carolina v. Katzenbach*, 383 U.S. 301 (1966); *Katzenbach v. Morgan*, 384 U.S. 641 (1966)), as are most of the other cases in which the Court has applied this rule. See *City of Boerne*, 117 S.Ct. at 2163 (collecting cases). Both of the cited cases involved state laws and practices that prevented citizens from realizing the protections afforded by the post-Civil War amendments. In other words, the state laws at issue defeated the purpose of the protective federal amendments and deprived citizens of their constitutional rights. See, e.g., *South Carolina v. Katzenbach*, 383 U.S. at 309 (Congress was "confronted by an insidious and pervasive evil which had been perpetrated in certain parts of our country through unremitting and ingenious defiance of the Constitution"); *Katzenbach v. Morgan*, 384 U.S. at

652 (Congress had power to invalidate New York's facially constitutional English literacy requirement to protect Spanish-speaking residents "who have been denied the right to vote because of their inability to read and write English").

In this case, by contrast, Florida "has provided respondent with the means by which [it] can receive redress for the [alleged] deprivation." *Parratt*, 451 U.S. at 543. Where the State provides such a remedy, this Court's cases allowing Congress to displace state laws that obviously *infringe* constitutional rights provide no support for intrusive and unnecessary federal legislation.

The court of appeals next reasoned that Congress is not obligated "to overlook the enforcement of federal patent rights on a piecemeal, state-by-state basis. . . . We do not read the precedent to permit abrogation of the state's immunity only in those instances in which a state provides no due process in its own courts to redress the alleged misconduct." Pet. App. 15a. As an initial matter, of course, this view reads the operative provision of the Due Process Clause out of the Fourteenth Amendment.

Moreover, in the area of state taxation this Court's precedents establish that where state remedies are adequate, the Constitution does not require duplicative federal remedies. In these cases the Court has declined to construe § 1983, a remedial statute enacted pursuant to the Fourteenth Amendment, as displacing adequate state remedies. Most recently, in *National Private Truck Council, Inc. v. Oklahoma Tax Comm'n*, 515 U.S. 582 (1995), the Court reaffirmed that

the States are afforded great flexibility in satisfying the requirements of due process in the field

of taxation. As long as state law provides a "clear and certain remedy," the States may determine whether to provide predeprivation process (*e.g.*, an injunction) or instead to afford postdeprivation relief (*e.g.*, a refund).

Id. at 587 (citations omitted). See also *Fair Assessment in Real Estate Ass'n, Inc. v. McNary*, 454 U.S. 100, 116 (1981) ("[T]axpayers must seek protection of their federal rights by state remedies, provided of course that those remedies are plain, adequate, and complete, and may ultimately seek review of the state decisions in this Court.") (footnote omitted). Indeed, the Tax Injunction Act demonstrates that Congress is able to limit federal remedies to cases in which "a plain, speedy and efficient remedy may [not] be had in the courts of such State." *Id.* at 103 (quoting 28 U.S.C. § 1341). Thus, both judicial and legislative precedent refute the view of the court of appeals that Congress either cannot or will not legislate with due regard for adequate state law remedies.

The Patent Remedy Act is invalid under § 5 for yet another reason. Section 5 legislation must reflect "a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." *City of Boerne*, 117 S.Ct. at 2164. "The appropriateness of remedial measures must be considered in light of the evil presented." *Id.* at 2169 (citing *South Carolina v. Katzenbach*, 383 U.S. at 308). As the Court explained in upholding the Voting Rights Act as "appropriate" remedial legislation under the Fifteenth Amendment,

The constitutional propriety of the Voting Rights Act of 1965 must be judged with reference to the historical experience which it reflects. Before enacting the measure, Congress explored

with great care the problem of racial discrimination in voting. . . . Congress felt itself confronted by an insidious and pervasive evil which had been perpetuated in certain parts of our country through unremitting and ingenious defiance of the Constitution.

South Carolina v. Katzenbach, 383 U.S. at 308-09.

There is no evidence that patent infringement by States or state agencies is an extraordinary national problem that requires an intrusive federal remedy under § 5—indeed, the evidence is quite the contrary. The legislative history of the Patent Remedy Act does suggest that Congress was aware of a few patent infringement actions being brought against States in federal court.⁷ There is, however, no indication either

⁷ The legislative history confirms the infrequency of patent infringement claims against States. The House Report acknowledges that “many states comply with patent law,” but adds that “there are examples of states that have infringed valid patents and refused to compensate patentees.” H.R. Rep. No. 960, at 38. Yet neither of the two cases cited to support this latter assertion do so. *See id.* at n.162. One involved an unadjudicated complaint of infringement against the State of Maryland, and the other a dismissal on Eleventh Amendment grounds, *see Chew v. California*, 893 F.2d 331 (Fed. Cir.), *cert. denied*, 498 U.S. 810 (1990).

Testimony before the House Subcommittee emphasized the infrequency with which patent infringement actions are brought against States. As even the bill’s sponsor acknowledged, “We do not have any evidence of massive or widespread violations of patent laws by the States.” *Patent Remedy Clarification Act: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary*, 101st Cong., 2d Sess. 22 (1990) (statement of Rep. Kastenmeier). *See also id.* at 56 (statement of William S. Thompson, President, American Intellectual Property Association) (“[S]tates are

that the problem is a pervasive one, or that Congress considered whether extant state law remedies are adequate to redress such instances of patent infringement as may occur.

Indeed, the case law indicates that the state courts are fully open to damages claims by patentees, treating them as takings claims that the state courts are charged by the Constitution with adjudicating. *See Jacobs Wind*, 626 So.2d at 1337; *Wilcox Industries, Inc. v. State of Ohio*, 607 N.E.2d 514, 516 (Ohio Ct. App. 1992) (“Because the law protects a patent owner from the misappropriation of his patent by a private party, R.C. 2743.02 operates to protect a patent owner from the same misappropriation if committed by the state.”); *A.C. Aukerman Co. v. State of Texas*, 902 S.W.2d 576 (Tex. Ct. App. 1995) (state court entertained taking action by patentee against the State, ruling in favor of the State because of patentee’s failure to establish that a taking had occurred). *Cf. Williamson County*, 473 U.S. at 195 (“a property owner has not suffered a violation of the Just Com-

— willing and able to respect patent rights. The fact that there are so few reported cases involving patent infringement claims against states underlines the point.”); *id.* at 32 (statement of Professor Robert Merges) (“states do occasionally find themselves in patent infringement suits”).

The Senate Report likewise contains no evidence that unremedied patent infringement by States has become a problem of national import. On the contrary, such evidence as it contains indicates that there is very little patent infringement litigation against States. *See S. Rep. No. 280* at 17, 1992 U.S.C.C.A.N. at 3100 (increased costs to federal judiciary of allowing patent infringement actions to be brought in federal court “are not likely to be significant”; increased costs to States and local governments from same “unlikely” to be “substantial”).

pensation Clause until the owner has unsuccessfully attempted to obtain just compensation through the procedures provided by the State").

In upholding the Patent Remedy Act as a valid § 5 enactment, the court of appeals was motivated in part by its view that if remedies under the federal patent laws were not available, patentees would have insufficient protection against infringement by States. See Pet. App. 23a-24a. The court failed to give sufficient weight to the remedies available to patentees alleging patent infringement by States.

"Most notably," as the Court stated in *Seminole Tribe*, "an individual may obtain injunctive relief under *Ex parte Young* in order to remedy a state officer's ongoing violation of federal law." 517 U.S. at 72 n.16 (citing *Ex parte Young*, 209 U.S. 123 (1908)). The court of appeals believed that injunctive relief would be inadequate because "injunctive relief prevents only future infringement, without compensating for past infringement." Pet. App. 23a. *Amici* submit, however, that federal court injunctive relief is—taken together with state law damages remedies—a sufficient federal law remedy given the role of the States as co-sovereigns and the lack of evidence of willful patent infringement by States. See H.R. Rep. No. 960 at 39 ("it should be very rare for a court to find . . . the requisite willful infringement on the part of a State or State agency"); see also note 7, *supra*.

Second, as indicated above, state courts have proven to be receptive to state law claims filed by patentees seeking relief for patent infringement by States and state agencies. See *Jacobs Wind*, 626 So.2d at 1337; *A. C. Aukerman Co.*, 902 S.W.2d at 578-79; *Wilcox*

Industries, 607 N.E.2d at 516. See also *Jacobs Wind*, 919 F.2d at 728; *Chew*, 893 F.2d at 336 & n.5. As the Federal Circuit noted in *Jacobs Wind*, "[w]hat a patentee may arguably 'lose' through being limited to a 'takings' claim or similar state court proceeding is not the ability to obtain any remedy, but the benefit of provisions in the patent statute . . . relating to enhanced damages and attorney fees." 919 F.2d at 728 n.2. The Federal Circuit further noted that "although a state court is without power to invalidate an issued patent, there is no limitation on the ability of a state court to decide the question of validity when properly raised in a state court proceeding." *Id.* at 728 (citing *Lear v. Adkins*, 395 U.S. 653 (1969)).⁸

Finally, as the record before Congress and the court of appeals demonstrates, while States are not subject to suit for damages in patent infringement actions filed in federal court, the States are—and do consider themselves to be—bound by the federal patent laws. See pages 20-21 & n.7, *supra*; see also Pet. App. 21a-22a. The paucity of case law involving patent infringement claims against States is the best evidence that the States respect private patents and are not engaged in massive schemes of infringement that demand extraordinary intervention by Congress in the guise of enforcing the protections of the Fourteenth Amendment.

⁸ Although the federal courts nominally have exclusive jurisdiction over patent cases, 28 U.S.C. § 1338(a), in practice many patent-related disputes are heard in the state courts. See *Luckett v. Delpark, Inc.*, 270 U.S. 496, 510-11 (1926); 13B Charles Alan Wright *et al.*, *Federal Practice and Procedure* § 3582 (2d ed. 1984); Ted D. Lee & Ann Livingston, *The Road Less Travelled: State Court Resolution of Patent, Trademark, or Copyright Disputes*, 19 St. Mary's L.J. 703 (1988).

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted,

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February 22, 1999

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OFFICE OF THE CLERK

No. 98-531

IN THE
Supreme Court of the United States

OCTOBER TERM, 1998

**FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,***Petitioner,*

vs.

**COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,***Respondents.*

**ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

**BRIEF OF AMICUS CURIAE
NEW YORK INTELLECTUAL PROPERTY LAW
ASSOCIATION IN SUPPORT OF RESPONDENTS**

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STATEMENT OF INTEREST OF *AMICUS CURIAE*

This brief is submitted on behalf of the New York Intellectual Property Law Association (the "NYIPLA") — an association of more than 1,100 attorneys whose interest and practice lies in the areas of patent, copyright, trademark, trade secret and other intellectual property law.¹ Unlike attorneys in many other areas of practice, NYIPLA members, whether in private practice or employed by corporations, typically represent both plaintiffs and defendants in litigation. NYIPLA members also regularly participate in proceedings in the Patent and Trademark Office, including representing parties in interferences, as well as representing applicants for patents.

Since its founding in 1922, the NYIPLA has been committed to maintaining the integrity of United States patent law, and to the proper application of that law. In furtherance of these goals, the NYIPLA urges affirmance of the judgment below in order to avoid a result that would leave States effectively free to use the patented inventions made by others and deprive their owners of a meaningful forum in which to seek redress for the deprivation of such property.²

1. Pursuant to Sup. Ct. R. 37.6, the NYIPLA represents that it has authored this brief in whole, and that no person or entity other than the amicus and its counsel have made a monetary contribution to the preparation or submission of the brief. The parties to this case have consented to the filing of this brief, and their written consents have been filed with the Clerk of the Court.

2. While the NYIPLA has not filed a brief in the accompanying appeal, *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, No. 98-149, the NYIPLA believes that trademarks are a traditional form of "property" subject to protection

(Cont'd)

SUMMARY OF THE ARGUMENT

The activities of Florida prove that patents are substantial property rights protected by the guarantees of the Fourteenth Amendment. The State of Florida has obtained over 200 United States patents since January 1, 1995 in an awe-inspiring variety of technologies. The State of Florida owns dozens of these patents jointly with private companies, who presumably have participated in the research. The Universities of the State of Florida are expressly authorized by statute to license and obtain royalties from their patents, and there can be no doubt that they do so.

Any entity so fully immersed in the use and ownership of patented technology and in the United States patent system should not be exempt from it. To exempt Florida, and 49 other such entities, would detract from the Constitutional purpose of promoting the useful arts and create opportunities for compromising the system.

Florida's concern about closing down "core governmental services" that might be covered by patents of third parties is unfounded. The patent law itself provides a focused way to protect such interests. The issuance of an injunction or the award of treble damages and attorneys fees in any patent case is permissive and within the discretion of the district court. On the other hand, exempting activities of all States would do irreparable harm.

(Cont'd)

under the Fourteenth Amendment. Since the accompanying appeal relates only to a claim of false advertising and not trademark infringement, the NYIPLA does not believe trademarks are at issue in that appeal and urges this Court not to decide such issue.

ARGUMENT

I.

THE STATE OF FLORIDA MAKES EXTENSIVE USE OF THE UNITED STATES PATENT SYSTEM

The extensive participation of the Petitioner, the State of Florida, in patent ownership exemplifies the fact that patents are a substantial and recognized form of "property." From January 1995 to August 1997, universities of the State of Florida were assigned property rights in over 200 United States issued patents.³

States have become involved in technologies that range far beyond any notion of "core governmental services." Florida's patents range from insect repellents⁴ and reinforced plastic concrete,⁵ to needles,⁶ semiconductor circuits,⁷ lasers,⁸

3. The University System of the State of Florida comprises 10 universities and the Board of Regents. FLA. STAT. ch. 240.2011 (1997). Over 200 United States Patents issued between January 1995 and August 1997 specify that they have been assigned to one or more of these Florida State entities or their research foundations.

4. U.S. Patent No. 5,635,174, Insect Repellent and Attractant Compositions and Methods for Using Same.

5. U.S. Patent No. 5,599,599, Fiber Reinforced Plastic ("FRP") — Concrete Composite Structural Members.

6. U.S. Patent No. 5,484,442, Intraosseous Needle.

7. U.S. Patent No. 5,659,362, VLSI Circuit Structure for Implementing JPEG Image Compression Standard.

8. U.S. Patent No. 5,652,763, Mode Locked Laser Diode in a High Power Solid State Regenerative Amplifier and Mount Mechanism.

computer software,⁹ projection screens,¹⁰ nuclear imaging,¹¹ air conditioning,¹² diamond manufacture,¹³ food processing,¹⁴ and methods of making virtually unpronounceable chemicals.¹⁵

Indeed, not only do Florida universities own patents, but even the Florida Board of Regents and the Florida Department of Citrus own patents (*see, e.g.*, U.S. Patent No. 5,532,363; U.S. Patent No. 5,514,389).

States have elected to use the patent system in the same way that individuals and private companies do. Again, Florida

9. U.S. Patent No. 5,642,502, Method and System for Searching for Relevant Documents From a Text Database Collection, Using Statistical Ranking, Relevancy Feedback and Small Pieces of Text.

10. U.S. Patent No. 5,625,489, Projection Screen for Large Screen Pictorial Display.

11. U.S. Patent No. 5,576,548, Nuclear Imaging Enhancer.

12. U.S. Patent No. 5,547,017, Air Distribution Fan Recycling Control.

13. U.S. Patent No. 5,485,804, Enhanced Chemical Vapor Deposition of Diamond and Related Materials.

14. U.S. Patent No. 5,393,547, Inactivation of Enzymes in Foods With Pressurized CO₂.

15. U.S. Patent No. 5,493,053, Method for Preparing Desferrioxamine B and Homologs Thereof; n-benzyloxy-1, 5-diaminopentane Selectively Protected at Primary Amine Site Reacted With Anhydride to Produce Carboxylic Acid; Acylation; Reacting With Diamine; Hydrogenolysis; Deprotecting.

exemplifies this fact. Florida is co-owner of many patents with private companies. Florida owns 19 patents, issued from 1995 to date, with the private company International Flavors and Fragrances.¹⁶ Florida owns a patent on a "Fuzzy System Expert Learning Network" jointly with a Japanese company, Daido Tokushuko, K.K. (U.S. Patent No. 5,524,176). Florida patents issued since 1995 also identify NEC Research Institute, Inc., Abela Laser Systems, Inc., and Cook, Inc., as joint assignees. (*E.g.*, U.S. Patent Nos. 5,651,786; 5,601,559; and 5,627,140.)

The Florida legislature has expressly enabled its State entities to market their patented technologies commercially. See FLA. STAT. ch. 240.299 (1997), which provides that each Florida State University is authorized to

[p]erform all things necessary to secure letters of patent. . . . License . . . the manufacture or use thereof, on a royalty basis or for such other consideration as the university shall deem proper. . . . Take any action necessary, including legal action, to protect against improper or unlawful use or infringement.

16. U.S. Patent Nos. 5,458,882; 5,441,988; 5,635,174; 5,635,173; 5,633,236; 5,576,011; 5,576,010; 5,521,165; 5,472,701; 5,464,626; 5,449,695; 5,447,714; 5,439,941; 5,417,009; 5,409,958; 5,401,500; and 5,387,418; and U.S. Design Patent Nos. 356,849 and 354,690.

II.

**FLORIDA'S EXTENSIVE USE AND OWNERSHIP OF
PATENTS FURTHER DEMONSTRATES THAT
PATENTS ARE PROPERTY SUBJECT TO
FOURTEENTH AMENDMENT PROTECTION**

The District Court and Court of Appeals were correct in concluding that Congress properly abrogated the States' Eleventh Amendment immunity when enacting 35 U.S.C. § 296 (Liability of States, Instrumentalities of States, and State Officers for Infringement of Patents). In particular, the Court of Appeals was correct in concluding that patents are "property" protected by the Fourteenth Amendment, and that the making, using, offering to sell and selling of a patented invention without redress is a deprivation of that property.

Florida's use of the United States patent system demonstrates how the exclusive property rights conferred by patents are a powerful engine to promote the progress of the useful arts. Pursuant to the United States Constitution, as implemented by Congress, Florida alone and in conjunction with private parties is developing a diverse array of useful patented inventions. Through these activities Florida is capable of obtaining investors to generate income for Florida and bring the benefits of its patented inventions to Floridians and others.

Florida's involvement with the patent system surely does not end with obtaining and being able to license patents. While *amicus* does not know the details of the licenses Florida grants under its patents, nor the arrangements Florida has with the various companies with which Florida jointly owns patents, Florida must stand ready to enforce its patents.

Otherwise, its licensees would pay no royalties, and Florida's joint owners would fund no research.

To exempt from the patent system an entity whose use of technology and the patent system is as extensive and pervasive as Florida's would detract from the Constitutional purpose of promoting the useful arts. First, there would be a disincentive to perform research and development in technologies perceived as likely to be used by the States. Second, the States would have no incentive to design around existing patented technologies. Finally, if States could work with technology, free of the patent laws, in such diverse areas as represented by Florida's patents, their private partners in that work may receive unfair advantages unavailable to others. Congress's enactment of 35 U.S.C. § 296 prevents this kind of mischief.

Making the States immune from patent suits would also create opportunities for States, and conceivably companies (both domestic and foreign) working with States, to erode the patent system and inflict serious harm. While States are accumulating numerous patents and the corresponding power to exclude others from using the States' patented technology, States would be free to use the patents of others, leaving the owners of that intellectual property without the proper forum in which to seek complete redress for the piracy. A decision here in favor of Florida would create opportunities for such piracy by Florida and 49 other States.

Particularly ominous therefore is the Petitioner's contention (Brf. for Petitioner, pp. 17-18 n.6) that the patent "property" right cannot include within it the right to exclude a State because the patent is conferred under Article I of the Constitution which is substantively limited by the Eleventh

Amendment. The University of California, not surprisingly given its large-scale use of the patent system, likewise asserts (Brf. Amicus Curiae of the Regents of the University of California, pp. 3, 7, 9 n.7) that it can “park [its] truck” anywhere it wants on a patentee’s property because the patent right does not include the right to exclude the States. Taking this misguided argument to its logical conclusion, a State could freely take away a person’s Social Security checks because they were issued pursuant to Congress’s Article I powers. The argument should be rejected because patents, like issued checks, are genuine traditional forms of property and it does not matter that they are created as a result of Article I. Moreover, the argument that the patent property right inherently lacks the right to exclude States from infringement should be rejected because otherwise the States could not even waive immunity under the patent law if they wanted to. *Cf. Idaho v. Coeur D’Alene Tribe of Idaho*, 521 U.S. 261, 267 (1997) (rejecting an argument that would preclude a State from even being able to waive its immunity). In sum, the Eleventh Amendment is not a limitation on the substantive content of genuine property rights.

Another opportunity for mischief, if the States’ position is adopted, lies in the international obligations of the United States. For example, in GATT-TRIPS negotiations the United States has criticized other countries for gaps in their enforcement of intellectual property rights. Exempting 50 States, many of whom engage in extensive use of technology — both alone and jointly with private entities — may not comply with current international obligations. Exempting 50 States will surely hurt negotiations intended to protect the interests of all United States intellectual property owners, including Florida, in the single, global marketplace of the future.

Other States have argued in this case that patents covering their activities relate to “core function[s] of state government,” and hence the States should be exempted from the patent system. The broad range of patented technologies owned by Florida demonstrates, however, that States are involved in many activities that are not core government functions and not “important tasks in which the State has a recognized interest.”¹⁷ The fact that Congress did not specifically legislate in this area until recently, or that States have not been sued often historically, reflects little more than the fact that States have only recently become active in the range of technologies exemplified in this brief.

Moreover, if any core government function is covered by a patent, the States are incorrect when they assert that the patent system will prevent them from performing that function. The issuance of an injunction by a district court in a patent case is permissive and within the equitable discretion of that court. 35 U.S.C. § 283; *Roche Products, Inc. v. Bolar Pharmaceutical Co.*, 733 F.2d 858, 865 (Fed. Cir. 1984). Injunctions have been refused against governments to enforce patent rights when a significant public interest is involved, even though the patent is valid and infringed. *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934) (Court of Appeals upheld validity and infringement findings of District Court but lifted injunction against the City of Milwaukee that would have closed a sewage treatment plant and led to dumping raw sewage of the city into Lake

17. While this brief does not discuss *Parden v. Terminal Ry. of Ala. State Docks Dep’t*, 377 U.S. 184 (1964), if *Parden* retains any vitality, then the broad array of technologies patented by the State of Florida shows the commercial nature of Florida’s involvement in the patent system and leads to the inescapable conclusion that Florida has consented to suits under the Patent Law.

Michigan). So too, the award of attorneys fees or treble damages under 35 U.S.C. §§ 284 and 285 is permissive and within the discretion of the courts. Rather than have a blanket rule that all State activities — including the activities implicated by each of Florida's 200 patents issued since 1995 — are exempt from federal suit under United States Patent Law, it would better serve the patent system to have decisions about whether an injunction will issue against a State, or whether a State will be liable for increased damages, depend on the subject matter, the significance of public rights actually involved, and the conduct of the State, as was done in *City of Milwaukee*. Moreover, as this Court has made clear, "the relief sought by a plaintiff suing a State is irrelevant to the question whether the suit is barred by the Eleventh Amendment." *Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 58 (1996).

The States also have suggested incorrectly that there would be nothing discriminatory in allowing States to be immune from suits for patent infringement. The owners of patents in technologies where States elect to be active would suffer discrimination as real to them as any other owner of property protected by the Fourteenth Amendment. When viewed against the range and extent of Florida's involvement with technologies, it would be discriminatory to permit Florida and the 49 other States to be free to disregard technology property rights — rights which every other user of the technology must honor.

The States have also wrongly suggested that it is important to look at the effect of the balance of power between States and the federal government, implying that the States and their citizens would be better off if the States were independent of the Patent Law. The States *amici* contend that providing immunity will alleviate a drain on state treasuries.

This view is shortsighted. Congress, in enacting 35 U.S.C. § 296, has made clear that it is best for all citizens in all States to preserve the integrity of patents against piracy. The extensive use of the patent system by Florida confirms that Congress was right.

CONCLUSION

The judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

*On Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit*

**BRIEF OF *AMICUS CURIAE* THE ASSOCIATION OF
THE BAR OF THE CITY OF NEW YORK
IN SUPPORT OF RESPONDENTS**

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BRIEF OF THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK AS AMICUS CURIAE IN SUPPORT OF RESPONDENTS

INTEREST OF AMICUS¹

The Association of the Bar of the City of New York (the "Association") is a professional association of approximately 21,000 attorneys. While the majority of its members practice in New York City, the Association has members in nearly every state and in over fifty countries. The Association is chartered to study, address and promote the rule of law and, where appropriate, the reform of the law. The Association, by its Committee on Federal Legislation, has followed with interest the recent development of restrictions on Congressional power to enact legislation in the national interest, including Eleventh Amendment restrictions imposed by this Court's decision in Seminole Tribe of Florida v. Florida, 517 U.S. 44 (1996).

In addition, the Association's Committee on Patents previously prepared a report endorsing and supporting the bill which became the Patent Remedy Act, arguing its position that the Act was within the power of Congress under Section 5 of the Fourteenth Amendment. See "The Eleventh Amendment and State Liability for Patent Infringement," The Record, August, 1992, at p. 947.

¹ Pursuant to Rule 37.6, this brief was authored and prepared in its entirety by the Association of the Bar of the City of New York.

With the attached consent of the parties, the Association as amicus curiae respectfully urges the Court to uphold the Patent Remedy Act.

SUMMARY OF ARGUMENT

The Patent Remedy Act, for the following reasons, is an appropriate exercise of Congressional power.

First, the Act does not impose duties or liabilities on the states beyond those it imposes on private citizens who engage in similar commercial conduct. This Court has repeatedly upheld the power of Congress to subject the States to the same obligations as private actors engaged in commercial activities.

Second, Congress possesses the constitutional power to make the States amenable to patent infringement suits in federal court pursuant to the grant of authority under Section 5 of the Fourteenth Amendment. There is no doubt that Congress expressed its intention to subject the States to the remedies of the Patent Act: that was precisely the purpose of the Patent Remedy Act of 1992. Furthermore, Congress expressly relied on Section 5 when it passed the Remedy Act and stated that it did so to protect the property rights of patent holders. Congress' broad discretionary power under Section 5, which is equivalent to its powers under the necessary and proper clause, permits such action.

Furthermore, patents are plainly "property" within the meaning of the Fourteenth Amendment. Patents are considered intellectual property rights and have been protected by statute since the first days of this nation. The Constitution specifically granted Congress the power to protect the "discoveries" of "inventors" in Art. I, Sect. 8,

cl. 8. Furthermore, this Court has noted that property rights -- the so-called "new property" -- may be established by statute or other legitimate expectations created by government, both state and federal.

Florida's argument that a State does not "deprive" a person of property unless it provides no remedy for infringement in its own courts must be rejected. It is not clear that Florida or any other State provides unequivocally for unconditional relief for patent infringement. Moreover, the available state remedies do include injunctive relief, a crucial component of patent protection.

Furthermore, this Court has held that State remedies should be considered in enforcing the due process clause only in two limited areas, neither of which apply here: (1) eminent domain or inverse condemnation cases where the taking is not complete unless and until just compensation is not available in a State forum and where well-established State procedures exist to value the property taken and; (2) procedural due process cases, where a random and unauthorized act of a State official is examined. Neither applies to the Patent Remedy Act.

This Court's holding in Seminole Tribe does not restrict the power of Congress to enact legislation such as the Patent Remedy Act under Section 5. To so construe Seminole Tribe would grievously and unjustifiably diminish the power of Congress to deter and remedy deprivations of property without due process under the Fourteenth Amendment.

Finally, the Patent Remedy Act vindicates a significant federal interest -- the protection of patents and the uniformity of patent law -- by providing for

congruent, proportionate relief against States that infringe. As such, it comports with the standards this Court established in City of Boerne v. Flores, 521 U.S. 507 (1997).

ARGUMENT

POINT I

THE PATENT REMEDY ACT IMPOSES UPON THE STATES THE SAME OBLIGATIONS AND LIABILITIES AS UPON OTHER COMMERCIAL ACTORS

At the outset, it must be noted that the Patent Remedy Act simply subjects the States to the same potential liabilities as any other commercial actor which infringes a patent.

This Court has held that, as long as Congress imposes a remedy on all actors engaged in the same activity -- including a State -- it is not unconstitutional. Thus, in State of New York v. United States, 326 U.S. 572, 582 (1946) the Court held that a State could be subject to a federal tax on its activities so long as the State is not subject to taxation "as a State." Id. "[S]o long as Congress generally taps a source of revenue by whomsoever earned and not uniquely capable of being earned only by a State, the Constitution of the United States does not forbid it merely because its incidence falls also on a State." Id. "If Congress makes no . . . differentiation and . . . taxes all vendors . . . alike, whether State vendors or private vendors, it simply says, in effect to a State: 'You may carry out your own notions of social policy in engaging in what is called business, but you

must pay your share in having a nation which enables you to pursue your policy.' " Id.

In the present case, Petitioner, in infringing Respondent's patent, is acting no differently from any other commercial actor, private or State. Because the Patent Remedy Act simply imposes upon the States the same obligations as private citizens or others who allegedly infringe patents, and subjects them to the same remedies, it is within Congress' power and must be upheld.

POINT II.

SECTION 5 OF THE FOURTEENTH AMENDMENT EMPOWERS CONGRESS TO PROTECT THE PATENT RIGHTS OF PERSONS AND CORPORATIONS AGAINST INFRINGEMENT BY THE STATES

As the Federal Circuit correctly noted below, the inquiry in determining whether Congress has properly abrogated a State's Eleventh Amendment immunity is two-fold: (1) has Congress unequivocally expressed its intent to abrogate immunity; and (2) was the law in question enacted pursuant to a constitutional grant of power? 148 F.3d at 1347. See Seminole Tribe, 517 U.S. at 55.

Plainly, Congress intended to abrogate State immunity under the Eleventh Amendment when it passed the Patent Remedy Act. Indeed, that was its primary purpose. As the Federal Circuit noted: ". . . the Patent Remedy Act is replete with language sufficient to satisfy this requirement [of clearly expressed intent]." 148 F.3d

at 1347. Section 271(h) of Title 35 states that “. . . the term ‘whoever’ includes any State, any instrumentality of the State. . . .” See 35 U.S.C. §296(a), which unequivocally sets forth Congress’ intent to abrogate the States’ Eleventh Amendment immunity.

Moreover, the Patent Remedy Act was a proper exercise of Congressional power under Section 5, because, as the court below recognized, that section is the “solitary legislative tool that the Supreme Court has recognized to enforce the substantive provisions of the Fourteenth Amendment.” Id. at 1348.

A. The Standard for Measuring Congressional Power Under § 5.

Section 5 of the 14th Amendment states: “The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.” This Court has made clear that Congress has the power to utilize this provision to pass specific legislation to insure that the rights enumerated in the Fourteenth Amendment are given appropriate and expansive protection. To accomplish this result, the Congressional power must be construed as broadly as it could be under the Necessary and Proper clause. This Court explained:

By including Section 5, the draftsman sought to grant to Congress, by a specific provision applicable to the Fourteenth Amendment, the same broad powers expressed in the Necessary and Proper Clause.

Katzbach v. Morgan, 384 U.S. 641, 650 (1966).

Congress may deem it necessary to add specific statutory guarantees to the broad language of the rights contained in Section 1 of the Amendment:

[i]t is the power of Congress which has been enlarged [by §5]. Congress is authorized to enforce the prohibitions by appropriate legislation. Some legislation is contemplated to make the amendments fully effective. Id. at 648.

To eliminate any lingering doubt over the true intent of Section 5, Justice Brennan, writing for the Court and citing the legislative history of the Amendment, reasoned in Morgan:

[e]arlier drafts of the proposed Amendment employed the “necessary and proper” terminology to describe the scope of congressional power under the Amendment . . . The substitution of the “appropriate legislation” formula was never thought to have the effect of diminishing the scope of this congressional power. Id., fn. 9.

In Lassiter v. Northampton County Board of Elections, 360 U.S. 45 (1959), a case decided prior to Katzbach, an African-American citizen challenged the constitutionality of North Carolina's voter literacy test. The test was required of all persons registering to vote, irrespective of race. Id., at 46. This Court upheld the test because it could not infer that the law was a racially discriminatory “device” forbidden by the Fifteenth Amendment, id. at 53.

Six years later, Congress passed the Voting Rights Act of 1965, which states: "[n]o voting qualification or prerequisite to voting, or standard, practice or procedure shall be imposed or applied by any State or political subdivision to deny or abridge the right of any citizen of the United States to vote on account of race or color." See 42 U.S.C. § 1973 *et seq.* This provision was specifically designed to prohibit the use of literacy tests, such as those upheld in Lassiter.

In Katzenbach v. Morgan, this Court had to consider whether the additional provisions in the Voting Rights Act, which prohibited a specific practice upheld in Lassiter, was within Congress' powers under Section 5. That case challenged Section 4(e) of the Voting Rights Act, which prohibited the State of New York from enforcing a voter English literary test, effectively preventing a sizeable portion of the Puerto Rican community from exercising the franchise. After a thorough analysis of Congress' powers under Section 5, this Court clearly found such use of Congressional power to be proper, despite Lassiter.

Justice Brennan analyzed what constitutes "appropriate legislation" under Section 5 according to the "classic formulation of the reach of those powers [as] established by Chief Justice Marshall in McCulloch v. Maryland." See Katzenbach, 384 U.S. at 650. The standard is: "Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the constitution, are constitutional," McCulloch v. Maryland, 4 Wheat. 316, 421, 4 L.Ed. 579. Congress found the Voting Rights Act to be necessary to remedy past discrimination and societal subjugation of the Puerto

Rican community. In this situation, Justice Brennan wrote:

It was for Congress, as the branch that made this judgment, to assess and weigh the various conflicting considerations...It is not for us to review the congressional resolution of these factors. It is enough that we be able to perceive a basis upon which the Congress might resolve the conflict as it did.

Katzenbach, 384 U.S. at 653.

It was irrelevant that this Court had previously determined in Lassiter that the Fourteenth Amendment in its own terms did not outlaw literacy tests. Justice Brennan explained:

Thus our task is not to determine whether the New York English literacy requirement . . . violates the Equal Protection Clause [of the Fourteenth Amendment by its own terms]. Accordingly, our decision in Lassiter . . . sustaining the North Carolina English literacy requirement, as not in all circumstances prohibited by the first sections of the Fourteenth and Fifteenth Amendments, is inapposite.

Katzenbach, 384 U.S. at 649.

The question, rather, was whether the particular exercise of power was within the broad grant of Section 5, not whether the Court would have reached the same decision in the absence of the legislation.

Since Congress undertook to legislate so as to preclude the enforcement of the state law, and did so in the context of a general appraisal of literacy requirements for voting...to which it brought a specially informed legislative competence, it was Congress' prerogative to weigh these competing considerations. Here again, it is enough that we perceive a basis upon which Congress might predicate a judgment that the [New York literacy test] constituted an invidious discrimination in violation of the Equal Protection Clause.

Katzbach, 384 U.S. at 655-656, 658.

Katzbach is still the law today and the core of the decision -- that Congress' power under Section 5 is to be interpreted as broadly as any of its legislative powers under the necessary and proper clause -- controls this case. "It was for Congress, as the branch that made this judgment, to assess and weigh the various conflicting considerations [in protecting the due process clause]." It was not the role of the courts "to review the congressional resolution of these factors. It is enough that we be able to perceive a basis upon which the Congress might resolve the conflict as it did." Id.

This Court has never strayed from that holding. In Oregon v. Mitchell, 400 U.S. 112 (1970), this Court examined and upheld the constitutionality of various provisions of the Voting Rights Act Amendments of 1970 (Pub. L. No. 91-285, 84 Stat. 314, 315 (1970)). It broadly upheld a five-year nationwide ban on literacy tests, but there was a divided vote on a provision which lowered the

voting age to eighteen in both federal and state elections. The Court once again broadly interpreted the breadth of Congressional power under Section 5.

This Court's decision in City of Rome v. United States, 446 U.S. 156 (1980), also accepted the broad holding in Katzbach. In City of Rome, a city challenged a provision of the Voting Rights Act which required any new voting regulations to be pre-approved by the Attorney General or a three-judge federal district court in the District of Columbia. This Court upheld the provision and ruled against the city in determining that the proposed voter qualification changes had a "discriminatory effect." Id. at 172. City of Rome recognized "Congress' broad power to enforce the Civil War Amendments" and, citing Katzbach, stated: "[l]egislation enacted under authority of § 5 of the Fourteenth Amendment would be upheld so long as the Court could find that the enactment 'is plainly adapted to [the] end' of enforcing the Equal Protection Clause and 'is not prohibited by but is consistent with the letter and spirit of the constitution', regardless of whether the practices outlawed by Congress in themselves violated the Equal Protection Clause." Id.

This Court recently reconfirmed the broad power of Congress to enforce Section 5 in City of Boerne v. Flores, 521 U.S. 507 (1997):

All must acknowledge that § 5 is "a positive grant of legislative power" to Congress, Katzbach v. Morgan, 384 U.S. 641, 651, 86 S.Ct. 1717, 1723, 16 L.Ed.2d 828 (1966). In Ex parte Virginia, 100 U.S. 339, 345-346, 25 L.Ed. 676 (1879), we explained the scope of Congress' § 5 power in the following broad terms:

"Whatever legislation is appropriate, that is, adapted to carry out the objects the amendments have in view, whatever tends to enforce submission to the prohibitions they contain, and to secure to all persons the enjoyment of perfect equality of civil rights and the equal protection of the laws against State denial or invasion, if not prohibited, is brought within the domain of congressional power."

In City of Boerne, this Court reaffirmed the broad principles of Katzenbach:

Legislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into "legislative spheres of autonomy previously reserved to the States." Fitzpatrick v. Bitzer, 427 U.S. 445, 455 (1976). For example, the Court upheld a suspension of literacy tests and similar voting requirements under Congress' parallel power to enforce the provisions of the Fifteenth Amendment, see U.S. Const., Amdt. 15, § 2, as a measure to combat racial discrimination in voting, South Carolina v. Katzenbach, 383 U.S. 301, 308, (1966), despite the facial constitutionality of the tests under Lassiter

v. Northampton County Bd. of Elections, 360 U.S. 45 (1959). We have also concluded that other measures protecting voting rights are within Congress' power to enforce the Fourteenth and Fifteenth Amendments, despite the burdens those measures placed on the States. South Carolina v. Katzenbach, supra (upholding several provisions of the Voting Rights Act of 1965); Katzenbach v. Morgan, supra (upholding ban on literacy tests that prohibited certain people schooled in Puerto Rico from voting); Oregon v. Mitchell, . . . (upholding 5-year nationwide ban on literacy tests and similar voting requirements for registering to vote); City of Rome v. United States, . . . (upholding 7-year extension of the Voting Rights Act's requirement that certain jurisdictions preclear any change to a " 'standard, practice, or procedure with respect to voting' ").

City of Boerne, 517 U.S. at ____.

Giving appropriate deference to the legislative judgment of Congress in passing the Patent Remedy Act, as this Court's precedents require, it is clear that the Patent Remedy Act is constitutional.

B. The Patent Remedy Act Provides an Appropriate Remedy for a State's Deprivation of Property Without Due Process of Law.

Petitioner argues that the Patent Remedy Act is not an appropriate remedy under Section 5 of the

Fourteenth Amendment because: (1) a patent is not "property" which can be protected by Section 5; and (2) a State does not deprive a person of property without due process of law if it affords some redress under its own laws. Neither contention can be upheld.

1. Patent Rights Can Be Protected Under Section 5.

Petitioner argues that Congress cannot create a property right utilizing its Article I power since such an approach would provide a direct "end-run" around the restrictions established in Seminole Tribe. Pet. Br. at 16-17. Florida argues that Congress may not create a "property" interest under Article I and then provide for a remedy against the States under § 5. Such an approach, Petitioner argues, would nullify the limitations Seminole Tribe establishes.

Petitioner misconceives this Court's decisions concerning the definition of "property" under the due process clause. In its decisions interpreting 42 U.S.C. § 1983, this Court has noted the broad definition of "property" protected by the due process clause. "Property interests, of course, are not created by the Constitution. Rather they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law." Board of Regents v. Roth, 408 U.S. 564, 577 (1972) (*emphasis added*). The Court further explained: "[t]o have a property interest in a benefit, a person clearly must have more than an abstract need or desire for it. He must have more than a unilateral expectation of it. He must, instead, have a legitimate claim of entitlement to it. . . ." Circuit Judge Posner has explained: "Property under the due process clause is any interest to which a government has given someone an entitlement," Patterson v. Portch, 853 F.2d 1399, 1405

(7th Cir. 1988). The "government" may be state, local or federal.

The notion that States may create property rights by legislation or regulation, but Congress may not do so is untenable. This Court has recognized a property right in a government job created by state statutes, Cleveland Bd. of Educ. v. Loudermill, 472 U.S. 532 (1985) and Logan v. Zimmerman Brush Co., 455 U.S. 422 (1982) or by *de facto* tenure rules, Perry v. Sindermann, 408 U.S. 593 (1972). Property rights to a driver's license can be created by state law, see Bell v. Burson, 402 U.S. 535 (1971), as can a property right to a horse trainer's license, see Barry v. Barchi, 443 U.S. 55 (1979), a right to utility service, see Memphis Light, Gas & Water Division v. Craft, 436 U.S. 1 (1978) and the right to a public education, see Goss v. Lopez, 419 U.S. 565 (1975).

Florida's assertion that there is something illegitimate in Congress' creation of "property" rights utilizing its Article I powers is further undercut by many decisions of this Court and the lower federal courts. Indeed, that was the specific holding of this Court in the landmark case of Goldberg v. Kelly, 397 U.S. 254 (1970). This statutory creation of "new property" rights to government benefits has been one of the earmarks of constitutional jurisprudence in this century². See also Arnett v. Kennedy, 416 U.S. 134 (1974) (right to federal civil service position created by federal law, subject to

² See Charles Reich, "The New Property," 73 Yale L. J. 733 (1964). See also A.C. Pritchard, "Government Promises and Due Process: An Economic Analysis of the 'New Property,'" 77 Va. L. Rev. 1053 (1991). See also "Symposium: The Legacy of Goldberg v. Kelly, a Twenty Year Perspective," 56 Brook. L. Rev. 731 (1990).

procedural limitations in that law); Matthews v. Eldridge, 424 U.S. 319 (1976)(property right created by federal law providing for disability benefits)³.

Petitioner's suggestion that state law can create constitutionally-protected property rights to a government job, a driver's license, a horse trainer's license, utility services or a public education, while Congress -- specifically charged by the Constitution with promoting the useful arts and sciences -- may not create a constitutionally protected property right in a patent, is absurd. As the Federal Circuit noted in its decision below, a patent has been considered "property" throughout our history. See 148 F.3d at 1349-50 and cases cited therein. Patents are "intellectual property" and are subject to the same protections as any other property interest.

2. The Existence of a Theoretical State Remedy Does Not Undermine Congress' Power to Provide for Relief against the States In Federal Court under the Patent Remedy Act.

Florida next argues that, even if a patent is considered a property right, it has not "deprived" a patent owner of its property right so long as it affords some remedy in its own courts for any infringement: "...

³ Lower federal courts have also recognized constitutionally protected property rights created by federal law creating an entitlement to low-income housing, see Davis v. Mansfield Met. Housing Auth., 751 F.2d 180 (6th Cir. 1984); food stamps, see Banks v. Block, 700 F.2d 292 (6th Cir. 1983); refugee payments, see Banks v. Block, 700 F.2d 292 (6th Cir. 1983) and unemployment benefits, see Berg v. Shearer, 755 F.2d 1343 (8th Cir. 1985).

patentees should be required to exhaust the available state remedies before any due process violation can be found," citing this Court's decision in Williamson County Regional Planning Comm'n v. Hamilton Bank of Johnson City, 473 U.S. 172 (1985) (Pet. Br. at 29.).

The eminent domain or inverse condemnation cases decided by this Court do not support Florida's argument. In Williamson, this Court dealt with an issue not present in a patent infringement case, namely whether an initial land use decision still subject to later administrative review constituted a "taking" for which just compensation must be then awarded. This Court held that until all the administrative reviews of the initial decision were made, there was no final "taking" of the property. This Court explained:

As in Hodel, Agins, and Penn Central, then, respondent has not yet obtained a final decision regarding how it will be allowed to develop its property. Our reluctance to examine taking claims until such a final decision has been made is compelled by the very nature of the inquiry required by the Just Compensation Clause. Although "[t]he question of what constitutes a 'taking' for purposes of the Fifth Amendment has proved to be a problem of considerable difficulty," [citations omitted] this Court consistently has indicated that among the factors of particular significance in the inquiry are the economic impact of the challenged action and the extent to which it interferes with reasonable investment-backed expectations. . . . these factors simply

cannot be evaluated until the administrative agency has arrived at a final, definitive position regarding how it will apply the regulations at issue to the particular land in question.

473 U.S. at 190-91.

This Court also noted:

Similarly, if a State provides an adequate procedure for seeking just compensation, the property owner cannot claim a violation of the Just Compensation Clause until it has used the procedure and been denied just compensation.

473 U.S. at 195.

Florida laws do not provide an "adequate procedure for seeking just compensation." Petitioner cites a single Florida case discussing the possibility of a "just compensation" claim in state court for patent infringement. This hardly meets the Williamson test. As the Federal Circuit noted below, the strong preemption language in 28 U.S.C. §1338(a) granting federal district courts exclusive jurisdiction of patent cases — "[s]uch jurisdiction shall be exclusive of the courts of the states in patent. . . cases" -- controls, undermining the idea that state courts may entertain such cases. See 148 F.3d at 1350, n. 2. Moreover, Florida does not even try to argue that any significant portion of the other forty-nine states provide eminent domain remedies for patent cases.

Nor does a "just compensation" remedy in State court substitute for one of the most important federal

remedies for patent infringement -- an injunction against further use of the infringing product. To obtain complete relief under the regime argued for by Florida, a patentee would have to bring an Ex parte Young injunctive action against a state official in federal court while also seeking damages in state court for past infringement. Such parallel proceedings -- with their potential for inconsistent adjudications concerning the scope of the same patent -- hardly satisfy the "adequate procedure" requirement specified in Williamson.

Third, such a scheme would undermine one of the most important policies of patent protection in the nation -- uniformity of patent protection in federal court and, in particular, appeal of patent cases to the Federal Circuit. Under Florida's plan there would be 51 different interpretations of the Patent Law (50 State laws plus the law developed in the Federal Circuit), with this Court constantly having to resolve the many conflicting interpretations of the Patent Act that would inevitably result.

From Monroe v. Pape, 365 U.S. 167 (1961) to the present, with two limited exceptions discussed below, the adequacy of a state remedy has never been a consideration in determining whether a Congressional remedy for a constitutional violation must await state exhaustion. This Court noted in Monroe that the intent of Section 1983 was "to provide a federal remedy where the state remedy, though adequate in theory, was not available in practice." 365 U.S. at 174.

The first exception is in the inverse condemnation cases cited above, where well-established state procedures exist for making eminent domain valuation determinations, and federal court interference would upset

a well-settled state scheme. See, e.g., Burford v. Sun Oil Co., 319 U.S. 315 (1943) and Colorado River Water Conservation District v. United States, 424 U.S. 800, 814 (1976) (suggesting that eminent domain procedures or land use decisions are viewed as a matter of predominant state concern especially since special state procedures are in place to make public need determinations, valuations or zoning decisions).

The second exception established by this Court in Parratt v. Taylor, 451 U.S. 527 (1980) and Zinermon v. Burch, 494 U.S. 113 (1990). This Court held in Zinermon that if a state deprives a person of a property right without any hearing, the constitutional deprivation is complete and a federally-established remedy can then be imposed: "the Court usually has held that the Constitution requires some kind of a hearing before the State deprives a person of liberty or property," 494 U.S. at 127. In exceptional cases, however, "the Court has held that a statutory provision for a postdeprivation hearing, or a common-law tort remedy for erroneous deprivation, satisfies due process." Id. at 128. Such an alternate state remedy satisfies due process only for "random, unauthorized" acts perpetrated by a state official without state authority, and "which the State was not in a position to predict or avert" before it occurred. Id.

In this case, the responsible state officials operating the Florida Prepaid investment program for students seeking to fund the cost of Florida public colleges and universities chose to infringe College Savings Bank's patent as part of its regular program of providing services to Florida students and continued the infringement after being notified of the violation. The steps were allegedly taken by the responsible officials of the program in full conformity with State law. In no sense

could they be considered "random, unauthorized acts" triggering the Parratt or Zinermon exception.

Since patent rights are property rights protected by the Constitution and the proposed "remedy" for infringement in state courts is illusory or inadequate, the remedy provided for by Congress in the Patent Remedy Act, to which the greatest deference must be paid, must be upheld.

C. This Court's Decision in Seminole Tribe Does Not Deprive Congress of the Power to Enact the Patent Remedy Act.

Despite these well-settled principles, Petitioner contends that the Eleventh Amendment precludes Congress from exercising its power under § 5 to remedy or prevent a State's due process violation if that violation involves a State's deprivation of property, such as a patent, created by Congress under its Article I powers. (Pet. Br. 11, 17-19). That result, Petitioner contends, flows necessarily from the holding of Seminole Tribe of Florida v. Florida, 517 U.S. 44, 72-73 (1996). According to Petitioner, because Seminole Tribe holds that Congress' Article I powers are subject to the limitations imposed by the later-adopted Eleventh Amendment, the Eleventh Amendment must also limit Congress' power to abrogate States' Eleventh Amendment immunity to protect federally created property rights such as patents. Thus, Congress cannot exercise its power under Section 5 of the Fourteenth Amendment to abrogate States' Eleventh Amendment immunity if such action is undertaken to protect a property right created by Congress under Article I. Any other result, according to Petitioner, would amount to an "end-run" around Seminole Tribe (Pet. Br. 11, 17 n.6 & 17-19).

Petitioner misreads Seminole Tribe and misunderstands the relationship between the Eleventh Amendment and Congress' powers under Article I and Section 5. Petitioner ignores the well-settled principle that "through the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment" and that Congress has the power under Section 5 of the Fourteenth Amendment to abrogate States' Eleventh Amendment immunity, even though it does not have that power under Article I. See Seminole Tribe, 517 U.S. at 59; Fitzpatrick, 427 U.S. at 454-56. In the same way that the Eleventh Amendment, adopted after Article I, limits Congress' power under Article I, the Fourteenth Amendment, adopted after the Eleventh Amendment, empowers Congress to limit the effect of the Eleventh Amendment.

Seminole Tribe did not change this well-settled principle. Rather, it held only that Congress did not have the power under the Indian Commerce Clause, Art. I, §8, cl. 3, to abrogate the States' Eleventh Amendment immunity. See 517 U.S. at 47 ("[w]e hold that notwithstanding Congress' clear intent to abrogate the States' sovereign immunity, the Indian Commerce Clause does not grant Congress that power"). Nowhere did this Court suggest that Congress' power under Section 5 could not be invoked if a State has deprived, without due process of law, a citizen of property created by Congress under its Article I powers.

Indeed, Seminole Tribe involved no claim that Congress' abrogation of the States' immunity there had been effected pursuant to its power under Section 5, or that Congress was seeking to remedy any due process violation. The Court expressly distinguished the exercise

of Congressional power that it found to be unconstitutional -- namely Congress' use of its Article I power to abrogate the States' Eleventh Amendment immunity -- from the exercise of Congressional power presented here -- Congress' abrogation of such immunity under Section 5. This Court explained:

Fitzpatrick was based upon a rationale wholly inapplicable to the Interstate Commerce Clause, viz., that the Fourteenth Amendment adopted well after the adoption of the Eleventh Amendment and the ratification of the Constitution, operated to alter the pre-existing balance between state and federal power achieved by Article III and the Eleventh Amendment.

517 U.S. at 65-66.

Thus, although Seminole Tribe holds the Eleventh Amendment forbids Congress from abrogating States' sovereign immunity through the exercise of Congress' Article I power, it expressly preserves Congress' power to do so under the later-adopted Section 5.

In Fitzpatrick [427 U.S. 445], we recognized that the Fourteenth Amendment, by expanding federal power at the expense of state autonomy, had fundamentally altered the balance of state and federal power struck by the Constitution.... We held that through the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment and therefore

that §5 of the Fourteenth Amendment allowed Congress to abrogate the immunity from suit guaranteed by that Amendment.

517 U.S. at 59.

As further explained in Fitzpatrick v. Bitzer, 427 U.S. 445 (1976):

The prohibitions of the Fourteenth Amendment are directed to the States, and they are to a degree restrictions of State power. It is these which Congress is empowered to enforce Such enforcement is no invasion of State sovereignty."

Id. at 454, quoting Ex parte State of Virginia, 100 U.S. 339 (1879).

Thus, the States cannot "deny to the general government the right to exercise all its granted powers, even though they may interfere with the full enjoyment of rights [the States] would have if those powers had not been thus granted." 427 U.S. at 454-55, quoting Ex parte State of Virginia.

Moreover, as this Court stated in Fitzpatrick:

we think that the Eleventh Amendment, and the principle of state sovereignty which it embodies [citation omitted] are necessarily limited by the enforcement provisions of §5 of the Fourteenth Amendment We think that Congress

may, in determining what is "appropriate legislation" for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible on other contexts.

427 U.S. at 456.

There is, therefore, no merit to Petitioner's lament that to permit the Fourteenth Amendment to "be used to enforce Article I property interests such as patents because the later-enacted Fourteenth Amendment limits the Eleventh Amendment's scope" or that such a rule "would mean that the Eleventh Amendment will always give way." (Pet. Br. 11).

Indeed, adoption of Petitioner's argument would engraft onto the Fourteenth Amendment a radical limitation that appears nowhere in its text and is not supported or required by Fourteenth Amendment, or even Eleventh Amendment, jurisprudence.

Section 5, in sum, grants Congress broad power to abrogate the States' Eleventh Amendment immunity where, as here, it seeks to remedy or prevent a Fourteenth Amendment due process violation. See City of Boerne v. Flores, 117 S. Ct. at 2163 (Section 5 gives Congress the power to enforce the provisions of the Fourteenth Amendment, which "include the Due Process Clause"); Seminole Tribe, 517 U.S. at 59. That is precisely what Congress has done here.

D. The Patent Remedy Act is Not Inconsistent with this Court's Holding in City of Boerne.

The Patent Remedy Act does not offend this Court's ruling in City of Boerne v. Flores, 521 U.S. 507 (1997). City of Boerne simply requires that there be a proportionality between the injury to be prevented and the means adopted to that end. Id. at _____. The Patent Remedy Act plainly satisfies that test.

The end to be achieved by the Patent Remedy Act is one with which the Constitution itself specifically charges Congress – the promotion of the “Progress of Science and the useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const., Art. I, § 8. As the Court below noted in its survey of the Act's legislative history, there is ample basis from which Congress might reasonably determine that infringement of private patents by the States is today, and will increasingly become, a threat to the security of the patent system. See 148 F.3d at 1353-55 and authorities cited therein.

Moreover, the means the Patent Remedy Act prescribes are, as City of Boerne requires, clearly congruent with this legitimate end. As noted in Point I, supra, the Act simply subjects the States to the same obligations as federal law imposes on any commercial actor – the duty to answer in federal court for alleged acts of infringement and, where it is found to have infringed, to make the patentee whole through the bundle of remedies generally available against infringers. As the Federal Circuit correctly noted below, the remedies to which the Patent Remedy Act subjects the States are

“modest and circumscribed,” 148 F.3d at 1355. The Act merely provides a means to hold States accountable for unlawful acts committed in the course of their commercial activities. The Act will rarely, if ever, expose States to liability for their governmental functions.

Petitioner nonetheless contends that to subject it to treble damages, lost profits, and attorney's fees violates the standard set forth in City of Boerne. 521 U.S. at ____; Pet. Br. At 32. In a strained effort to liken the Patent Remedy Act to the Religious Freedom Restoration Act struck down in City of Boerne, Petitioner contends that if it were subject to those penalties, every aspect of its governmental activities would be disrupted. Pet. Br. at 33, 35.

That is absurd. As this Court noted in City of Boerne, the RFRA's “sweeping coverage insured its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description, regardless of subject matter.” 521 U.S. at _____. The only conduct by a state the Patent Remedy Act would disrupt, by contrast, is patent infringement. The Patent Law exists to disrupt such conduct, whether by private or state actors. Patent infringement, moreover, generally requires purposeful conduct. Petitioner's suggestion that the Patent Remedy Act threatens to empty state treasuries by judgements arising from the inadvertent actions of state officials defies common sense.

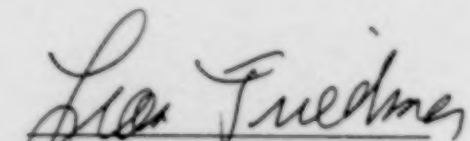
Petitioner also contends that the means the Patent Remedy Act employs to redress State patent infringement are disproportionate because the federal government has limited its liability to compensatory damages and, in limited circumstances, attorneys' fees. 28 U.S.C. § 1498(a).

This argument is meritless. It is well-settled that the federal sovereign may exempt itself from liability, or restrict such liabilities, without extending the exemption or restriction beyond itself. Compare Brown v. General Services Administration, 425 U.S. 820, 833 (1976)(Civil Rights Act of 1964 provides exclusive remedy for discrimination in federal employment) with Johnson v. Railway Express Agency, 421 U.S. 445, 454 (no exclusivity of remedy in context of discrimination in private employment). Moreover, nothing in City of Boerne suggests that the proportionality of the means by which a federal statute remedies violations of the Fourteenth Amendment is to be measured with reference to the scope of the federal government's waiver of its own immunity.

CONCLUSION

Petitioners ask this Court to construe the Constitution in a manner that would allow the States to infringe patents at will, without fear of accountability in the federal courts. In the process, they ask this Court to lessen the force of the Fourteenth Amendment and to diminish federal power dramatically to enforce its terms. Such a ruling would gravely undermine the balance of federal and State power which that provision was designed to accomplish. This Court should decline this invitation, and should uphold the Patent Remedy Act.

Dated: New York, N.Y.
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In the
Supreme Court of the United States
October Term, 1998

—◆—
FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK and
UNITED STATES OF AMERICA,

Respondents.

—◆—
**On Writ of Certiorari to the United States
Court of Appeals for the Federal Circuit**

—◆—
**BRIEF AMICUS CURIAE OF PACIFIC LEGAL
FOUNDATION IN SUPPORT OF RESPONDENTS**

—◆—
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QUESTION PRESENTED

Whether Congress has power under § 5 of the Fourteenth Amendment to abrogate the states' Eleventh Amendment immunity and make them amenable to suit in federal court for claims of patent infringement pursuant to § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, 35 U.S.C. §§ 271(h), 296(a).

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INTEREST OF AMICUS CURIAE

For 25 years, amicus Pacific Legal Foundation (PLF) has been litigating in support of the right of individuals to receive just compensation when government takes their private property for public use. PLF attorneys have been before this Court on two occasions representing individuals seeking to vindicate their rights under the Just Compensation Clause of the United States Constitution. See *Nollan v. California Coastal Commission*, 483 U.S. 825 (1987); *Suitum v. Tahoe Regional Planning Agency*, 520 U.S. 725 (1997). Also, PLF has participated as an amicus curiae in virtually every significant takings case heard by this Court in the past two decades. Finally, PLF attorneys are counsel of record in three pending petitions for writ of certiorari seeking this Court's review of takings questions.¹

In the present case, the court of appeals upheld the Patent Remedy Act against petitioner's Eleventh Amendment challenge based on Congress's power to enforce the Fourteenth Amendment's guarantee of procedural due process. Appendix to Petition for Certiorari (Pet. App.) at 13a. Procedural due process was the focus of the briefing below, and the briefs of petitioner and its amici have continued this focus. PLF, on the other hand, will urge the Court to uphold the Patent Remedy Act on a different ground, namely, that the Act is appropriate legislation to enforce the mandates of the Just Compensation Clause, as that Clause has been incorporated into § 1 of the Fourteenth Amendment. In so urging, PLF expects that the instant brief will bring to the Court's attention relevant matter not already brought to its attention by the parties.

¹ Pursuant to Rule 37.3(a), all parties have consented to the filing of this amicus curiae brief. Letters evidencing such consent have been filed with the Clerk of the Court.

Pursuant to Rule 37.6, amicus curiae affirms that no counsel for any party authored this brief in whole or in part and that no person or entity made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

After *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), authority for Congress to abrogate the states' Eleventh Amendment immunity from suit in federal court must be found in § 5 of the Fourteenth Amendment or similar "enforcement" provisions. In considering the constitutionality of the Patent Remedy Act, therefore, the pertinent question is whether the Act is "appropriate legislation" within the meaning of § 5, that is, legislation to "enforce" the provisions of § 1 of the Amendment. The Patent Remedy Act is precisely this kind of legislation because it enforces the mandates of the Just Compensation Clause of the Fifth Amendment, which is incorporated into § 1.

This is so because, as this Court has long recognized, a patent is property within the meaning of that Clause, and the infringement of a patent by a state works a compensable taking of private property at the instant of infringement. By virtue of the self-executing character of the Just Compensation Clause, such a taking imposes on the state the constitutional obligation to pay just compensation to the patent owner. That obligation to pay arises at the same time as the taking-by-infringement occurs, creating a mature constitutional claim for just compensation on the part of the owner. In requiring an infringing state to satisfy its constitutional obligation in a federal-court action, the Patent Remedy Act does no more than directly enforce the mandates of the Just Compensation Clause.

While there is language in *Williamson County Regional Planning Commission v. Hamilton Bank*, 473 U.S. 172, 194-97 (1985), suggesting that a federal claim for just compensation is "premature" until the property owner first pursues any compensation remedies that are available in state court, that aspect of *Williamson County* should be discarded. Like the decision overruled in *Seminole Tribe*, that aspect of *Williamson County* deviated sharply from this Court's established jurisprudence and does not deserve continued adherence.

ARGUMENT

I

THE PATENT REMEDY ACT IS APPROPRIATE LEGISLATION TO ENFORCE THE MANDATES OF THE JUST COMPENSATION CLAUSE AS INCORPORATED INTO § 1 OF THE FOURTEENTH AMENDMENT

This case presents the question whether Congress exceeded its authority in enacting the Patent Remedy Act and thereby abrogating the immunity of states from federal-court suits for patent infringement. *Seminole Tribe* instructs that this inquiry "is narrowly focused on one question: Was the Act in question passed pursuant to a constitutional provision granting Congress the power to abrogate?" 517 U.S. at 59. In this regard, *Seminole Tribe* reaffirmed the holding of *Fitzpatrick v. Bitzer*, 427 U.S. 445, 452-56 (1976), that "through the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment and therefore that § 5 of the Fourteenth Amendment allowed Congress to abrogate the immunity from suit guaranteed by that Amendment." 517 U.S. at 59. In the present case, therefore, Florida Prepaid has rightly identified the issue as "whether Congress exceeded its authority under § 5 when [it] attempt[ed] to abrogate the states' Eleventh Amendment immunity in patent [infringement] cases." Brief for Petitioner at 17. In broad terms, the answer to this question is, as set forth below, an easy one.

In the striking phrase of the court of appeals, it is "beyond cavil" that a valid patent is "property" within the meaning of the Constitution. Pet. App. at 12a. Consequently, petitioner and its amici acknowledge (if grudgingly) that states may not "deprive any person of [a patent], without due process of law." U.S. Const. amend. XIV, § 1. But the dictates of procedural due process hardly exhaust the explicit protections for property enshrined in the Constitution. A patent for an invention—"as much . . . as a patent for land," *Consolidated Fruit-Jar Co. v.*

Wright, 94 U.S. 92, 96 (1876)—is also protected by the Just Compensation Clause of the Fifth Amendment, in that it may not “be taken for public use without just compensation.” U.S. Const. amend V. More than eight decades ago, this Court observed that “rights secured under the grant of letters patent by the United States were property and protected by the guarantees of the Constitution and not subject therefore to be appropriated even for public use *without adequate compensation*.” *William Cramp & Sons Ship & Engine Building Co. v. International Curtis Marine Turbine Co.*, 246 U.S. 28, 39-40 (1918) (emphasis added). Indeed, that principle was, as far back as 1910, “so indisputably established as to need no review of the authorities sustaining [it].” *Id.* at 39.

It is further indisputably established, since as far back as this Court’s decision in *Chicago, B. & Q.R. Co. v. City of Chicago*, 166 U.S. 226, 239-40 (1897), that the Just Compensation Clause was “made applicable to the States through [§ 1 of] the Fourteenth Amendment.” *Dolan v. City of Tigard*, 512 U.S. 374, 383 (1994); *see also id.* at 384 n.5 (rejecting the dissent’s argument to the contrary). Accordingly, through this incorporation of the Fifth Amendment into the Fourteenth, the Just Compensation Clause is now “expressly directed at the States.” *Seminole Tribe*, 517 U.S. at 59. Section 5 of the Fourteenth Amendment therefore grants Congress the undoubted power “to enforce, by appropriate legislation, the provisions of” the Just Compensation Clause against the states. As *Seminole Tribe* reaffirms, this power necessarily includes the power “to abrogate the immunity from suit guaranteed by [the Eleventh] Amendment,” 517 U.S. at 59, if that immunity is inconsistent with the mandates of the Just Compensation Clause.

As demonstrated below, state immunity from federal-court suits for patent infringement *is* inconsistent with the mandates of the Just Compensation Clause, and the Patent Remedy Act is therefore “appropriate legislation” to “enforce” those mandates against the states.

A. A State’s Infringement of a Patent Works a Compensable Taking of Private Property for Public Use

As noted above, this Court in *William Cramp* found it “indisputably established” that patents are “property and protected by the guarantees of the Constitution and not subject therefore to be appropriated [i.e., taken] even for public use without adequate compensation.” 246 U.S. at 40. Other decisions confirm that the “appropriation” of a patent on the part of the government or its agents—by means of infringing on the patent owner’s exclusive right to use and manufacture the patented invention—constitutes a compensable taking within the meaning of the Fifth Amendment. In *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290 (1912), this Court construed the predecessor of 28 U.S.C. § 1498(a), which now authorizes patent owners to sue the federal government when it infringes a patent, that is, whenever the owner’s patented invention “is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same.” Recognizing “the undoubted authority of the United States as to [certain patentable] subjects to exert the power of eminent domain,” *Crozier* held that the statute essentially provided for “the appropriation [i.e., taking] of a license to use the inventions.” 224 U.S. at 305. The taking was, however, “sanctioned by the means of compensation for which the statute provides.” *Id.* Thus, the Court equated the infringement of a patent with the exercise of the power of eminent domain (a taking) and equated the compensation provided for such infringement as the compensation required by the Fifth Amendment.

Both this Court and the lower federal courts have consistently adhered to this interpretation of *Crozier*. For example, in *George Moore Ice Cream Co. v. Rose*, 289 U.S. 373, 382 (1933), the Court relied on *Crozier* for the proposition that “a pledge of the public faith and credit will permit the seizure of property by right of eminent domain, though what is due for compensation must be ascertained thereafter.” Moreover, in

Yearsley v. W.A. Ross Construction Co., 309 U.S. 18, 22-23 (1940), the Court cited the statute construed in *Crozier* as an example of the principle that if government action “does constitute a taking of property for which there must be just compensation under the Fifth Amendment, the Government has impliedly promised to pay that compensation and has afforded a remedy for its recovery by a suit in the Court of Claims.” In more recent cases, the Court of Claims (and its successor, the Court of Appeals for the Federal Circuit) have recognized the equivalence of patent infringements and compensable takings in crystal clear terms: “When the government has infringed [a patent], it is deemed to have ‘taken’ the patent license under an eminent domain theory, and compensation is the just compensation required by the fifth amendment.” *Leesona Corp. v. United States*, 599 F.2d 958, 964 (Ct. Cl.), *cert. denied*, 444 U.S. 991 (1979).²

² *Accord, e.g., Pitcairn v. United States*, 547 F.2d 1106, 1114 (Ct. Cl. 1976) (“The use or manufacture by or for the Government of a device or machine embodying any invention protected by a United States patent, is a taking of property by the Government under its power of eminent domain.”), *cert. denied*, 434 U.S. 1051 (1978); *Decca Ltd. v. United States*, 640 F.2d 1156, 1166 (Ct. Cl. 1980) (observing that the “manufacture or use by or for the Government of a patented invention” constitutes “an eminent domain taking of a license in [the] patent”), *cert. denied*, 454 U.S. 819 (1981); *id.* at 1167 n.17 (noting that the statutory remedy for the government’s infringement “is equivalent to the just compensation which the fifth amendment mandates for every governmental taking”); *Motorola, Inc. v. United States*, 729 F.2d 765, 768 (Fed. Cir. 1984) (observing that a patent owner who pursues the statutory remedy for the government’s infringement “is seeking to recover just compensation for the Government’s unauthorized taking and use of his invention”); *Hughes Aircraft Co. v. United States*, 86 F.3d 1566, 1571 (Fed. Cir. 1996) (“The government’s unlicensed use of a patented invention is properly viewed as a taking of property under the Fifth Amendment through the government’s exercise of its power of eminent domain . . .”), *vacated and remanded on other grounds*, 117 S. Ct. 1466 (1997).

When does this taking-by-infringement occur? The Court of Claims addressed this very issue in a case in which the government had infringed a patent for a radio navigation system:

The Government takes a license to use or to manufacture a patented invention as of the instant the invention is first used or manufactured by the Government. The license taken at that instant covers only what the Government is using or has manufactured as of that instant. If, after this first taking, the Government expands the scope of its use of the invention or manufactures additional units of the invention, the Government engages thereby in incremental takings. Each incremental taking vests the patentee with a new cause of action.

Decca Ltd. v. United States, 640 F.2d 1156, 1166 (Ct. Cl. 1980), *cert. denied*, 454 U.S. 819 (1981). This principle—that a compensable taking occurs at “the instant” the government infringes the patent by using or manufacturing the patented invention—is a longstanding one in patent law. *See, e.g., Irving Air Chute Co. v. United States*, 93 F. Supp. 633, 636 (Ct. Cl. 1950) (citing cases).

Although this Court has never addressed the precise issue, the principle enunciated by the Court of Claims in *Decca* and *Irving Air Chute* is entirely consistent with the Court’s holding that, with respect to de facto takings by physical invasion, “the usual rule is that the time of the invasion constitutes the act of taking.” *United States v. Clarke*, 445 U.S. 253, 258 (1980). The consistency derives from the essential equivalence between a taking-by-invasion of real property and a taking-by-infringement of patent property: each results in the immediate loss to the owner of “one of the most essential sticks in the bundle of rights that are commonly characterized as property—the right to exclude others.” *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979). With respect to a physical invasion of real property, the loss of the right to exclude is self-evident. With

respect to an infringement of a patent, the loss derives from the fact that, "at bottom, a patent is but the right to exclude others from making using or selling an invention." Pet. App. at 12a (citing 35 U.S.C. § 271 and *Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549 (1852)).

B. Such a Taking Immediately Imposes on the State a Constitutional Obligation to Pay Just Compensation to the Patent Owner

If the infringement of a patent by the United States (and, by obvious analogy, a state) constitutes a compensable taking of private property at the instant of infringement, then certain consequences inevitably follow. As this Court reaffirmed in one of the seminal takings decisions of the past two decades, "government action that works a taking of property rights necessarily implicates the 'constitutional obligation to pay just compensation.'" *First English Evangelical Lutheran Church v. County of Los Angeles*, 482 U.S. 304, 315 (1987) (quoting *Armstrong v. United States*, 364 U.S. 40, 49 (1960)). Accordingly, infringement of a patent by a state necessarily imposes on that state a constitutional obligation to pay just compensation to the patent owner. Furthermore, as the Court stressed in *First English*, a state's obligation to pay is "self-executing," such that "the duty to pay [is] imposed by the [Fifth] Amendment" itself. *Id.* (quoting *Jacobs v. United States*, 290 U.S. 13, 16 (1933)); accord *id.* at 316 ("[T]he Court has frequently repeated the view that, in the event of a taking, the compensation remedy is required by the Constitution" (emphasis added)). Indeed, *First English* went so far as to reject explicitly the government's argument—supposedly derived from "principles of sovereign immunity"—that "the Constitution does not, of its own force, furnish a basis for a court to award money damages against the government." *Id.* at 316 n.9.

When does a state's constitutional obligation to pay just compensation arise or accrue? The obvious, intuitive answer is that the taking and the obligation to pay just compensation

are concomitant, that is, they come into being simultaneously. This answer is, of course, the consistent holding of this Court and the lower federal courts for decades. In *United States v. Dow*, 357 U.S. 17 (1958), for example, the Court explained:

The usual rule is that if the United States has entered into possession of the property prior to the acquisition of title, it is the former event which constitutes the act of taking. *It is that event which gives rise to the claim for compensation*

Id. at 22 (emphasis added); accord *United States v. Clarke*, 445 U.S. at 258 ("When a taking occurs by physical invasion, . . . the usual rule is that the time of the invasion constitutes the act of taking, and '[i]t is that event which gives rise to the claim for compensation'" (quoting *Dow*)).

Other decisions of this Court restate essentially the same rule using slightly different phraseology. In *Danforth v. United States*, 308 U.S. 271, 284 (1939), the Court affirmed simply that "compensation is due at the time of taking." In *United States v. Dickinson*, 331 U.S. 745 (1947), the Court rejected the government's argument that Dickinson's reclamation of a portion of property previously taken by flooding disentitled him to be paid for the original taking: "no use to which Dickinson could subsequently put the property by his reclamation efforts changed the fact that the land was taken when it was taken and an obligation to pay for it then arose." *Id.* at 751 (emphasis added). In *Soriano v. United States*, 352 U.S. 270, 275 (1957), the Court affirmed as time-barred the dismissal of petitioner's claim against the government "for just compensation for supplies, etc., taken from him . . . during the Japanese occupation of the Philippines." As it rejected petitioner's argument that the hostilities tolled the applicable statute of limitations, the Court agreed that petitioner's claim for compensation "accrued at the time of the taking." *Id.*; see also *United States v. Rogers*, 255 U.S. 163, 169 (1921) ("Having taken the lands of the defendants in error, it was the duty of the government to make just

compensation as of the time when the owners were deprived of their property.”); *Seaboard Air Line Ry. Co. v. United States*, 261 U.S. 299, 306 (1923) (same).³

The Court’s more recent “temporary takings” jurisprudence confirms the time-of-taking rule. Judicial recognition of temporary takings is often thought to have originated in Justice Brennan’s dissent in *San Diego Gas & Electric Co. v. City of San Diego*, 450 U.S. 621 (1981). In that case, the Court did not reach the question presented, namely, whether “a State must provide a monetary remedy to a landowner whose property allegedly has been ‘taken’ by a regulatory ordinance”; a majority of Justices concluded that the Court “lack[ed] jurisdiction” because the judgment below was not “final” under 28 U.S.C. § 1257. *Id.* at 623. Justice Brennan did reach that question, however. Writing for four Justices—and garnering the substantial agreement of a fifth, *see id.* at 633-34 (Rehnquist, J., concurring)—Justice Brennan would have held that, where a court finds a regulatory taking, a government entity “must pay just compensation for the period commencing on the date the regulation first effected the ‘taking,’ and ending on the date the government entity chooses to rescind or otherwise amend the

³ The law in the old Court of Claims and the Federal Circuit is the same. *See Creppel v. United States*, 41 F.3d 627, 633 (Fed. Cir. 1994) (“a claim under the Fifth Amendment accrues when the taking action occurs”); *Alliance of Descendants of Texas Land Grants v. United States*, 37 F.3d 1478, 1481 (Fed. Cir. 1994) (same); *Inupiat Community of Arctic Slope v. United States*, 680 F.2d 122, 127 (Ct. Cl.) (“The claims . . . are all for takings, and the alleged act of taking was the Settlement Act. The claims therefore accrued on . . . the date on which the Settlement Act became effective.”), *cert. denied*, 459 U.S. 969 (1982); *Steel Improvement & Forge Co. v. United States*, 355 F.2d 627, 631 (Ct. Cl. 1966) (“It is axiomatic that a cause of action for an unconstitutional taking accrues at the time the taking occurs.”); *Stafford Ordinance Corp. v. United States*, 108 F. Supp. 378, 381 (Ct. Cl. 1952) (“Ordinarily a claim accrues in requisitioning property at the time of the actual taking of the property.”).

regulation.” *Id.* at 658 (Brennan, J., dissenting). This conclusion was grounded in part on the recognition that “[a]s soon as private property has been taken, . . . ‘the self-executing character of the constitutional provision with respect to just compensation’ is triggered.” *Id.* at 654 (quoting *Clarke*, 445 U.S. at 257). When Justice Brennan’s dissent subsequently became law in *First English*, the Court reaffirmed “the self-executing character of the constitutional provision with respect to just compensation,” 482 U.S. at 315, and it necessarily reaffirmed as well that this constitutional provision is triggered “[a]s soon as private property has been taken.”

C. Requiring a State to Satisfy That Constitutional Obligation in Federal Court Is a Direct Enforcement of the Just Compensation Clause

The foregoing principles, we submit, compel the following conclusions: (1) the infringement of a patent by a state works a compensable taking of private property at the instant of infringement; (2) by virtue of the self-executing character of the Fifth Amendment (as incorporated into the Fourteenth), such a taking imposes on the state the constitutional obligation to pay just compensation to the patent owner; and (3) that obligation to pay is triggered, or arises, at the same time as the taking-by-infringement occurs. Given these conclusions, we turn to consider whether the Patent Remedy Act, in providing remedies for patent infringement by the states, partakes of the “congruence and proportionality” required by *City of Boerne v. Flores*, 117 S. Ct. 2157, 2164 (1997), for the Act to qualify as “enforc[ing]” the provisions of the Fourteenth Amendment.” As stated in *City of Boerne*, the Court’s recent decisions in this regard “revolve around the question whether § 5 legislation can be considered remedial.” *Id.* at 2166. We think it beyond dispute that most provisions of the Patent Remedy Act are rightly considered “remedial.” As explained below, other provisions present a closer question.

1. Damages

The Patent Remedy Act provides that states are subject to patent remedies "to the same extent as such remedies are available for [infringement] in a suit against any private entity." 35 U.S.C. § 296(b). Such remedies include damages pursuant to 35 U.S.C. § 284, which provides that, upon finding for the patent owner in an infringement action, "the court shall award the [owner] damages adequate to compensate for the infringement." This provision is remedial virtually by definition. As we have seen, patent owners' "claims for just compensation are grounded in the Constitution itself," and states consequently have a "constitutional obligation to pay just compensation" for takings of patent property. *First English*, 482 U.S. at 315. The damages provision of § 284, in obliging states to pay "damages adequate to compensate for the infringement," does no more than simply "enforce" that constitutional obligation in direct fashion. To put the point another way, if "the compensation remedy is required by the Constitution," *First English*, 482 U.S. at 316, then the damages provision of § 284, by actually providing that remedy, is requiring of states only what is already required of them by the Fourteenth Amendment itself. Finally, if the Constitution, "of its own force, furnish[es] a basis for a court to award money damages against the government" for a taking, *id.* n.9, then Congress cannot be said to have exceeded its powers by furnishing in § 284 a *statutory* basis to make the very same award.

Section 284 also grants the court discretion "to increase the damages up to three times the amount found or assessed." Without citation, the court below asserted that such damages "have long been established by Congress as proper and necessary to afford full compensation to a patentee." Pet. App. at 25a. In particular cases, this will undoubtedly be true: single damages alone would be a "constitutionally insufficient remedy," *First English*, 482 U.S. at 321, because they would fail to measure up to the constitutional standard: Just "compensation

means the full and perfect equivalent in money of the property taken. The owner is to be put in as good position pecuniarily as he would have occupied if his property had not been taken." *United States v. Miller*, 317 U.S. 369, 373 (1943). In these cases, the "increase" in damages would surely partake of the "remedial" nature of the damages discussed in the previous paragraph. On the other hand, there will certainly be cases in which single damages alone (together with the other monetary remedies discussed below) would indeed provide every bit of the compensation required by the Constitution. In these latter cases, the award of *additional* compensation against a state would essentially "make a substantive change in the governing law" of just compensation and would lie outside of Congress's power under § 5. *City of Boerne*, 117 S. Ct. at 2164.

The proper response to these competing possibilities, we submit, is to take refuge in the discretionary character of § 284, which provides that courts "*may* increase" damages. The lower federal courts, with additional guidance from Congress at its option, should be permitted to exercise their discretion to strike a proper balance between ensuring that the patent owner is "put in as good position pecuniarily as he would have occupied if his [patent] had not been taken," *Miller*, 317 U.S. at 373, without imposing "substantial costs" on the states in the absence of constitutional warrant, *City of Boerne*, 117 S. Ct. at 2171. This discretion should be exercised both by trial courts in individual cases and by the Court of Appeals for the Federal Circuit to the extent it can formulate more general rules.

2. Interest and Costs

Section 284 further provides for an award of "interest and costs as fixed by the court." The propriety of an award of interest should be obvious to all. This Court has "consistently . . . held that the Fifth Amendment's reference to 'just compensation' entitles the property owner to receive interest from the date of the taking to the date of payment as a part of his just compensation." *United States v. Thayer-West Point Hotel Co.*,

329 U.S. 585, 588 (1947); accord, e.g., *Library of Congress v. Shaw*, 478 U.S. 310, 317 n.5 (1986) ("To satisfy the constitutional mandate, 'just compensation' includes a payment for interest."). In requiring the payment of interest, § 284 is directly enforcing the mandates of the Just Compensation Clause.

With respect to costs, the analysis must begin with this Court's decision in *Hutto v. Finney*, 437 U.S. 678, 695 (1978), which recognized that "[c]osts have traditionally been awarded without regard for the States' Eleventh Amendment immunity." Unlike the decision overruled in *Seminole Tribe*, this aspect of *Hutto* was no "solitary departure from established law." 517 U.S. at 66. As *Hutto* pointed out, "[t]he practice of awarding costs against the States goes back to 1849 in this Court." 437 U.S. at 695 (referring to *Missouri v. Iowa*, 48 U.S. (7 How.) 660 (1849)). More importantly for present purposes, "[t]he Court has never viewed the Eleventh Amendment as barring such awards, even in suits between States and individual litigants." *Id.* (discussing, as exemplary, *Fairmont Creamery Co. v. Minnesota*, 275 U.S. 70 (1927)). Although several Justices dissented in *Hutto*, none appeared to challenge this holding as applied strictly to costs, as opposed to attorney fees. See *id.* at 704 (Powell, J., concurring in part and dissenting in part) (disagreeing with the Court's affirmance of "counsel-fee awards against the State" (emphasis added)); *id.* at 714 (Rehnquist, J., dissenting) (criticizing the two theories advanced by the Court "to support the separate awards of attorney's fees in this case" (emphasis added)).

Accordingly, the award of interests and costs authorized by § 284 is within the power of Congress.

3. Attorney Fees

In addition to awarding damages, interest, and costs for patent infringement, the court "in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. The Patent Remedy Act expressly makes this provision

applicable to infringing states. See *id.* § 296(b). In our view, the Court has available to it two separate rationales for sanctioning the award of attorney fees against a state under § 285.

First, the Court may follow *Hutto* and its progeny. Thus, in *Missouri v. Jenkins*, 491 U.S. 274, 284 (1989), the Court "reaffirm[ed its] holding in *Hutto v. Finney* that the Eleventh Amendment has no application to an award of attorney's fees, ancillary to a grant of prospective relief, against a State." The reference to "prospective relief" in this passage must be interpreted in light of "the distinction drawn in [the Court's] earlier cases between 'retroactive monetary relief' and 'prospective injunctive relief,' the latter generally thought to be permitted by the Eleventh Amendment. *Id.* at 278. Given that distinction, we submit that *Jenkins* is best understood to have held that the Eleventh Amendment does not bar the award of attorney fees against a state where, as here, such award is ancillary to other relief that is within the constitutional power of Congress to provide. Accord *Kentucky v. Graham*, 473 U.S. 159, 170 (1985) (unanimous) (describing *Hutto* as having held that, "when a State in a § 1983 action has been prevailed against for relief on the merits, either because the State was a *proper* party defendant or because state officials *properly* were sued in their official capacity, [attorney] fees may also be available from the State under § 1988" (emphasis added)). On this understanding of *Hutto*, the Eleventh Amendment would not bar an award of attorney fees against a state pursuant to 35 U.S.C. § 285 because such an award would be ancillary to the compensatory relief properly awarded pursuant to § 284.

Second and alternatively, the Court may rightly find that § 285 is "appropriate legislation" to enforce the constitutional obligation of states to pay just compensation for takings of patent property. In this regard, it is critical to recognize the exceedingly narrow circumstances in which attorney fees may be awarded, as described by the Federal Circuit:

The purpose of section 285 "is to provide discretion where it would be *grossly unjust* that the winner be left to bear the burden of his own counsel which prevailing litigants normally bear." [The party seeking fees] has the burden of proving by clear and convincing evidence that this is an exceptional case. As we have repeated "[t]here must be some finding of unfairness, bad faith, or inequitable conduct on the part of the unsuccessful [party]."

Badalamenti v. Dunham's, Inc., 896 F.2d 1359, 1364 (Fed. Cir.) (citations omitted), *cert. denied*, 498 U.S. 851 (1990). Congress could reasonably conclude that an award of attorney fees against a state is "adapted to carry out the objects" of the Just Compensation Clause, *City of Boerne*, 117 S. Ct. at 2163 (quoting *Ex parte Virginia*, 100 U.S. 339, 346 (1879), if the absence of such an award would be "grossly unjust" to the prevailing patent owner. In addition, Congress could reasonably conclude that the award of attorney fees against a state that has been shown—by clear and convincing evidence, no less—to have engaged in unfairness, bad faith, or inequitable conduct would "tend[] to enforce submission to" the mandates of the Just Compensation Clause. *Id.* At very least, such an award would tend to discourage states from unfairly and inequitably resisting the constitutional obligation to pay just compensation.

4. Injunctive Relief

Finally, the Patent Remedy Act authorizes remedies "in equity" against infringing states and their officers and employees. 35 U.S.C. § 296(b); *see also id.* § 283 (authorizing courts to "grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent"). It is unlikely that the Just Compensation Clause as incorporated in the Fourteenth Amendment provides a basis for Congress to abrogate the immunity of states (as states) from injunctive relief against patent infringements. This perhaps counterintuitive conclusion results from the precept that the Just Compensation

Clause "is designed not to limit the governmental interference with property rights *per se*, but rather to secure *compensation* in the event of an otherwise proper interference amounting to a taking." *First English*, 482 U.S. at 315. It would appear that a state's "constitutional obligation to pay just compensation," *id.*, could be fully satisfied by application of the monetary remedies discussed above, without having to subject the state to additional remedies in equity.

This point will have little practical significance, however, given the express right granted patent owners to obtain injunctive relief against "any officer or employee of a State or instrumentality of a State acting in his official capacity." 35 U.S.C. § 296(a). This right, of course, is not subject to an Eleventh Amendment bar. As *Seminole Tribe* expressly affirmed, "several avenues remain open for ensuring state compliance with federal law. Most notably, an individual may obtain injunctive relief under *Ex parte Young* in order to remedy a state officer's ongoing violation of federal law." 517 U.S. at 72 n.16 (citation omitted). Although *Seminole Tribe* declined to apply *Ex parte Young* to asserted violations of the Indian Gaming Regulatory Act (IGRA), that declination was based on the Court's determination that "Congress had no wish" to impose liability on state officers for violations of the IGRA and that for courts to impose liability would be "to rewrite the statutory scheme." *Id.* at 76. In contrast to IGRA, the Patent Remedy Act does clearly express the wish of Congress to subject state officers to injunctive relief to restrain ongoing violations of the patent laws; no "rewrit[ing]" of the statutory scheme is necessary.

For the foregoing reasons, the Patent Remedy Act easily qualifies as "appropriate legislation" within the meaning of § 5 of the Fourteenth Amendment, as it is a measure to "enforce" the mandates of the Just Compensation Clause as incorporated into § 1 of the Amendment. Therefore, Congress acted within its express authority when it abrogated the Eleventh Amendment immunity of states in patent infringement cases.

II

TO THE EXTENT IT IS IN CONFLICT WITH THE
 FOREGOING ANALYSIS, THE DECISION IN
 WILLIAMSON COUNTY SHOULD BE LIMITED

Although we think the foregoing arguments should fully dispose of the present case, we anticipate a response along the following lines: Congress may not rely on the Just Compensation Clause to abrogate the immunity of states from federal-court suits for patent infringement because there has been no “violation” of that Clause until *after* a patent owner has sought, and been denied, compensation for infringement in *state court*. According to this account, a federal-court action such as the one brought by respondent College Savings Bank would not be “ripe”—and an abrogation of state immunity would not be “appropriate”—until the patent owner had first sought compensation from the state in its own courts. This argument founders, we think fatally, on the well-established principle that a claim for just compensation for a taking of private property—and, in particular, a taking-by-infringement of property in a patent—accrues “at the time of [the] taking.” *Danforth*, 308 U.S. at 284. *See generally supra* Section I.B, pp. 8-11. Nevertheless, because *Williamson County Regional Planning Commission v. Hamilton Bank*, 473 U.S. 172, 194-97 (1985), has sown confusion in this area, we give it due consideration below.

In its own words, the *Williamson County* Court “granted certiorari to address the question whether Federal, State, and Local governments must pay money damages to a landowner whose property allegedly has been ‘taken’ temporarily by the application of government regulations.” *Id.* at 185. The attorneys general of no fewer than 19 states and territories, together with the Solicitor General of the United States, the National Association of Counties, the City of New York, and the City of St. Petersburg, Florida, joined the petitioner in urging the Court to reverse the judgment rendered in favor of the property owner “on the ground that a temporary regulatory interference with an

investor’s profit expectation does not constitute a ‘taking’ . . . or, alternatively, on the ground that even if [it does], the Just Compensation Clause does not require money damages as recompense.” *Id.* at 175. Four professional and public-interest organizations filed amicus curiae briefs urging affirmance of the judgment. *See id.* at 174.

In the end, all of this briefing was for naught, because the Court did not decide the case on the questions presented. Instead, *Williamson County* left the temporary takings issue “for another day,” concluding that the property owner’s claim for just compensation was “premature.” *Id.* at 186. The primary basis for this conclusion was the Court’s application of the rule that a regulatory takings claim “is not ripe until the government entity charged with implementing the regulations has reached a final decision regarding the application of the regulations to the property at issue.” *Id.* As the Court explained at length, *see id.* at 186-94, this rule had its antecedents in *Penn Central Transportation Co. v. City of New York*, 438 U.S. 104 (1978); *Agins v. City of Tiburon*, 447 U.S. 255 (1980); and *Hodel v. Virginia Surface Mining & Reclamation Association, Inc.*, 452 U.S. 264 (1981). Indeed, even after *Williamson County*, the Court has continued to visit the “final decision” requirement of regulatory takings law. *See MacDonald, Sommer & Frates v. Yolo County*, 477 U.S. 340 (1986); *Suitum v. Tahoe Regional Planning Agency*, 520 U.S. 725 (1997).

After having explicated the final decision requirement, the Court in *Williamson County* concluded that the petitioner planning commission’s “denial of approval does not conclusively determine whether respondent [property owner] will be denied all reasonable beneficial use of its property, and therefore is not a final, reviewable decision.” 473 U.S. at 194. Logically, the opinion could have stopped at that point, but it did not. Again without the benefit of briefing, the opinion posited a “second reason [why] the taking[s] claim is not yet ripe,” namely, that the property owner “did not seek compensation through the

procedures the State provided for doing so.” *Id.* This aspect of *Williamson County* is, we submit, of essentially the same character as the decision discarded in *Seminole Tribe*: as explained below, it “deviated sharply” from the Court’s established Just Compensation Clause jurisprudence, and it “essentially eviscerated” the Court’s decision in *United States v. Dow*, among other cases. *Seminole Tribe*, 517 U.S. at 64 (criticizing, and later overruling, *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989)). Although the present case does not require the Court to “overrule” in formal terms the state-procedures aspect of *Williamson County*, it does present a good opportunity for the Court to depart from the “unworkable” and “badly reasoned” aspects of the opinion. *Seminole Tribe*, 517 U.S. at 63 (quoting *Payne v. Tennessee*, 501 U.S. 808, 827 (1991)).

As explained in detail above, it was the consistent rule of this Court and the lower federal courts for many decades that the government’s taking of private property and the government’s obligation to pay just compensation for such taking are concomitant, coming into being at the same time. The Court has, of course, formulated the rule in varying terms: the event of taking “gives rise to the claim for compensation,” *Dow*, 357 U.S. at 22; *Clarke*, 445 U.S. at 258; compensation becomes due “at the time of taking,” *Danforth*, 308 U.S. at 284; “an obligation to pay for” the land arose “when it was taken,” *Dickinson*, 331 U.S. at 751; the claim for just compensation “accrued at the time of the taking,” *Soriano*, 352 U.S. at 275; the government’s duty to pay just compensation is triggered “[a]s soon as private property has been taken,” *San Diego Gas*, 450 U.S. at 654 (Brennan, J., dissenting). The *Williamson County* opinion put forth two reasons for silently departing from this longstanding rule, for labeling as “premature” a claim that *Soriano* (for example) had called as “accrued.” Both of these reasons were “based upon what we believe to be a misreading of precedent.” *Seminole Tribe*, 517 U.S. at 65.

First, the opinion cited *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1016-20 (1984), for the proposition that this Court has “held that takings claims against the Federal Government are premature until the property owner has availed itself of the process provided by the Tucker Act.” 473 U.S. at 195. But if “takings claims” are meant here to refer to monetary claims for just compensation for a completed taking of private property, then the cited passage from *Monsanto* did not even consider such claims, let alone declare them “premature” until after the property owner had sued under the Tucker Act.⁴

In *Monsanto*, the company brought suit in federal district court “seeking *injunctive and declaratory relief* from the operation of” various provisions of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), alleging that “all of the challenged provisions effected a ‘taking’ of property without just compensation, in violation of the Fifth Amendment.” 467 U.S. at 998-99 (emphasis added). Having first concluded that some of the challenged provisions might possibly operate to take Monsanto’s property in certain circumstances, the Court went on to consider (in the passage later cited by the opinion in *Williamson County*) whether that conclusion afforded a basis for granting Monsanto the injunctive relief it had sought. The *Monsanto* Court ruled that it did not, based on the established rule that “[e]quitable relief is not available to enjoin an alleged taking of private property for public use . . . when a suit for compensation can be brought against the sovereign subsequent

⁴ The Tucker Act grants jurisdiction to the Court of Federal Claims to adjudicate “any claim against the United States founded upon . . . the Constitution.” 28 U.S.C. § 1491(a)(1); see also *id.* § 1346(a)(2) (granting the district courts concurrent jurisdiction over such claims “not exceeding \$10,000 in amount”). It is this jurisdictional grant that authorizes the Court of Federal Claims to hear and determine monetary claims against the United States for just compensation. See, e.g., *United States v. Causby*, 328 U.S. 256, 267 (1946) (“If there is a taking, the claim is ‘founded upon the Constitution’ and within the jurisdiction of the Court of Claims to determine.”).

to the taking.” *Id.* at 1016 (emphasis added); *see also id.* at 1017-19 (concluding that such a suit could indeed be brought pursuant to the Tucker Act).

So Monsanto’s claim for equitable relief under the Fifth Amendment was not merely *premature*, it was *not available* at all. What about a Tucker Act suit against the government in the Court of Federal Claims? Was it somehow a *prerequisite* to asserting a *monetary* claim against the government for just compensation for a taking of property? No, as the *Monsanto* decision confirms, a Tucker Act suit *is* the assertion of a claim for just compensation: “whatever taking may occur is one for public use, and a Tucker Act remedy is available to provide Monsanto with just compensation.” *Id.* at 1020. When is this remedy available? Consistent with the longstanding rule that the government’s obligation to provide compensation arises at the time of the taking, the *Monsanto* Court observed that the company could proceed to the Court of Federal Claims “[o]nce a taking has occurred.” *Id.*

If the opinion in *Williamson County* fundamentally misread *Monsanto*, it also created what can only be described as a logical absurdity. As noted above, it is the Tucker Act—by granting the Court of Federal Claims jurisdiction of “claim[s] against the United States founded upon . . . the Constitution,” 28 U.S.C. § 1491(a)(1)—that authorizes the Court of Federal Claims to adjudicate claims against the United States for just compensation. *See supra* note 4. So if *Williamson County* is correct that a property owner must “avail[] itself of the process provided by the Tucker Act” *before* pursuing its claim for just compensation, 473 U.S. at 195, then the property owner must essentially bring a Tucker Act suit *before* bringing a Tucker Act suit. Or to put it another way, a property owner’s Tucker Act suit for just compensation is “premature” until the property owner has brought a Tucker Act suit for just compensation. *Id.* Obviously, this cannot be.

The opinion in *Williamson County* attempted to translate the proposition that “takings claims against the Federal Government are premature until the property owner has availed itself of the process provided by the Tucker Act” into an analogous proposition at the state level: “Similarly, if a State provides an adequate procedure for seeking just compensation, the property cannot claim a violation of the Just Compensation Clause until it has used the procedure and been denied just compensation.” *Id.* But if, as demonstrated above, the former proposition has no basis in law or logic, the latter is baseless as well. Indeed, the latter proposition creates its own, easily demonstrable logical absurdities.

Consider the typical state-law “procedure for seeking just compensation” against the state, namely, an inverse condemnation action against the state in its own courts. *See, e.g., Jacobs Wind Electric Co., Inc. v. Department of Transportation*, 626 So. 2d 1333, 1337 (Fla. 1993) (observing that “[t]he Florida and federal constitutions prohibit the State’s taking of private property without due process or just compensation” and therefore holding that a patent holder “may assert takings . . . claims in state court” against a state agency). As to whether that state-court action is intended by the state to satisfy its *federal* constitutional obligation to pay just compensation for a taking, there are only two possibilities: it is, or it isn’t. If it is—if the “procedure” is simply a willingness on the part of state courts to adjudicate *federal* constitutional claims—then we have a situation analogous to the Tucker Act conundrum above: a federal claim against the state (in state court) for just compensation is “premature” until the property owner has pursued a federal claim (in state court) against the state for just compensation.

On the other hand, if the state-court action is *not* intended by the state to satisfy its obligations under the Just Compensation Clause—if the “procedure” is rather one to enforce a right that arises under *state* law—then we have a situation where a property owner with an concededly “accrued” federal claim for

just compensation is forced to postpone the assertion of that claim and pursue a state-law claim instead. There may well be good reasons, grounded in considerations of comity and federalism, for such a postponement. But contrary to the assertion in *Williamson County*, these reasons have nothing to do with the "nature of the constitutional right" to just compensation. 473 U.S. at 195 n.13. Consistent with *Dow*, *Clarke*, *Danforth*, *Dickinson*, and *Soriano*, no court treats federal claims for just compensation for completed takings of property as *inherently* unripe or premature. That is, we are aware of no state judicial system that refuses to adjudicate *federal* claims for just compensation on the ground that they are unripe or premature until a property owner has first pursued to completion all claims for compensation under *state* law. It is not difficult to cite numerous counterexamples of state judicial systems that will hear and determine *federal* claims for just compensation *as soon as* a taking has occurred.⁵ This Court, moreover, has routinely exercised jurisdiction to review state-court judgments concerning such claims without ever once suggesting that the claims were unripe or premature because the property owner had not *first* pursued claims for compensation under state law.⁶

⁵ See, e.g., *Jacobs Wind*, 636 So. 2d at 1337 (contemplating that a patent holder would assert its claims under the Just Compensation Clause *along with* its claims under the state analogue and under state common law); *Kavanau v. Santa Monica Rent Control Board*, 941 P.2d 851, 855 (Cal. 1997) (observing that property owner brought a claim for "'just compensation' in the form of lost rental income and interest" under both "article I, section 19 of the California Constitution and the Fifth Amendment of the United States Constitution"), *cert. denied*, 118 S. Ct. 856 (1998); *Mayhew v. Town of Sunnyvale*, 964 S.W.2d 922, 930 (Tex. 1997) (finding ripe the property owner's "just compensation takings claims" brought at the same time "under the United States Constitution and [the] Texas Constitution").

⁶ See, e.g., *Lucas v. South Carolina Coastal Council*, 505 U.S. 1003, 1009 (1992) (property owner did not first pursue state-law remedies (continued...))

The second basis for *Williamson County*'s rejection of the longstanding rule that claims for just compensation arise at the time of the taking was a supposed analogy between takings of private property "without just compensation" and deprivations of property "without due process of law." See 473 U.S. at 195. Where a person suffers a deprivation of property through "a random and unauthorized act by a state employee," the state's action "is not 'complete' in the sense of causing a constitutional injury 'unless or until the State fails to provide an adequate postdeprivation remedy for the property loss.'" *Id.* (quoting *Hudson v. Palmer*, 468 U.S. 517, 532 n.12 (1984)).

Even assuming the validity of the analogy between the Just Compensation Clause and the Due Process Clause, *Hudson* does not provide the correct frame of analysis. That decision was premised on the fact of "a random and unauthorized act by a state employee." As even the opinion in *Williamson County* recognized, *Hudson* has no applicability to situations "in which the deprivation of property is effected pursuant to an established state policy or procedure." *Id.* at 195 n.14. A taking is always effected pursuant to an established state policy or procedure; if the relevant injury to property results from a truly random and unauthorized act by a government employee, the property owner has suffered a tort, not a taking. In any event, the very notion that a state's action is somehow not "complete" until after the property owner avails himself of state-law com-

⁶ (...continued)

for compensation; rather, once the regulatory agency had made final decision, owner "promptly filed suit in the South Carolina Court of Common Pleas" seeking just compensation for regulatory taking); *First English*, 482 U.S. at 308-09 (little more than a month after the ordinance was adopted, property owner brought action simultaneously seeking damages in tort and just compensation for a regulatory taking); *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 424 (1982) (without first pursuing separate state-law remedies for compensation, property owner sued seeking damages for trespass and just compensation for government-sponsored physical invasion).

pensation procedures cannot be reconciled with the rule that a state's taking of property, without more, gives rise to a "right to recover just compensation" on the part of the owner and a corresponding "obligation to pay just compensation" on the part of the state. *First English*, 482 U.S. at 315. Thus, while a postdeprivation remedy might allow the government to avoid liability for a denial of due process, once a taking has occurred, liability is unavoidable: "no subsequent action by the government can relieve it of the duty to provide compensation." *Id.* at 321 (internal quotation marks omitted).

It remains to show how the state-procedures portion of *Williamson County* has proved "unworkable," having "created confusion among the lower courts." *Seminole Tribe*, 517 U.S. at 63, 64. Federal courts of appeals have been forced into contortions to describe whether, and employing what procedures, property owners might somehow "reserve" their federal claims for just compensation for a federal forum when they are forced by *Williamson County* to proceed in state court.⁷ Moreover, even if property owners can manage to salvage the *formal* right to bring their federal claims in federal court, they may effectively lose that right through application of the rules of issue preclusion. See, e.g., *Dodd v. Hood River County*, 136 F.3d 1219, 1227 (9th Cir.) ("Nor does the Dodds' previous reservation of this federal takings claim . . . prevent operation of the issue preclusion doctrine."), *cert. denied*, 119 S. Ct. 278 (1998).

In applying issue preclusion, the Ninth Circuit has equated the issue whether a land-use regulation "allows a landowner some substantial beneficial use of his property" for purposes

⁷ See, e.g., *Peduto v. City of North Wildwood*, 878 F.2d 725 (3d Cir. 1989); *Front Royal & Warren County Industrial Park Corp. v. Town of Front Royal*, 135 F.3d 275 (4th Cir. 1998); *Dodd v. Hood River County*, 59 F.3d 852 (9th Cir. 1995); *Wilkinson v. Pitkin County Board of County Commissioners*, 142 F.3d 1319 (10th Cir. 1998); *Fields v. Sarasota Manatee Airport Authority*, 953 F.2d 1299 (11th Cir. 1992).

of the compensation provision of the Oregon Constitution with the issue whether "a land owner has been deprived of 'economically beneficial uses' of his property" for purposes of the Just Compensation Clause of the United States Constitution. *Id.* at 1225. In so doing, the court deprived the property owner of an opportunity *ever* to present its federal claims for a categorical taking to a federal court. These kinds of deprivations can be expected to multiply, given that nearly every state has a compensation provision that is (or has been interpreted to be) very similar to the Just Compensation Clause.

The effect of *Williamson County* is therefore to drive out of federal court virtually all federal claims for just compensation for takings of private property by state and local governments. This result is anomalous on its face, and it is especially disturbing in light of the Court's firm refusal, with respect to *other* federal claims brought pursuant to 42 U.S.C. § 1983, to "require[] exhaustion of state *judicial* or administrative remedies, recognizing the paramount role Congress has assigned to the federal courts to protect constitutional rights." *Steffel v. Thompson*, 415 U.S. 452, 472-73 (1974) (emphasis added), quoted in *Patsy v. Board of Regents*, 457 U.S. 496, 500 (1982). In actual practice, the state-procedures aspect of *Williamson County* has effectively caused the Just Compensation Clause, "as much a part of the Bill of Rights as the First Amendment or Fourth Amendment, [to] be relegated to the status of a poor relation," notwithstanding the Court's protestations to the contrary in *Dolan v. City of Tigard*, 512 U.S. 374, 392 (1994).

If, as we have demonstrated, the "nature of the constitutional right" to just compensation (that nature being such that the right accrues at the time of the taking) cannot explain the opinion in *Williamson County*, then how can one explain it? It would seem that the state-procedures aspect of that decision essentially makes a policy judgment about the proper timing and forum for asserting claims under the Just Compensation Clause. To paraphrase from *Patsy*, requiring an owner whose

property has been taken to pursue state-law claims for compensation before asserting his claim under the Just Compensation Clause (a kind of exhaustion), or to pursue his federal claim in state court (a kind of abstention), or both, perhaps

would lessen the perceived burden that [just compensation] actions impose on federal courts; would further the goal of comity and improve federal-state relations by postponing federal-court review until after the state [courts] had passed on the issue; and would enable the [state judiciary], which presumably has expertise in the area at issue [i.e., property law], to enlighten the federal court's ultimate decision.

457 U.S. at 512 (footnote omitted).

No doubt these are powerful considerations, particularly to a Court that is as rightfully concerned with maintaining the proper federal-state balance as the Court was in *Seminole Tribe* and *City of Boerne*. As *Patsy* makes clear, however, "policy considerations alone cannot justify judicially imposed exhaustion unless exhaustion is *consistent with congressional intent*." 457 U.S. at 513 (emphasis added); accord *McCarthy v. Madigan*, 503 U.S. 140, 144 (1992) ("Of 'paramount importance' to any exhaustion inquiry is congressional intent." (quoting *Patsy*, 457 U.S. at 501)). The same is true with respect to abstention. See, e.g., *New Orleans Public Service, Inc. v. Council of City of New Orleans*, 491 U.S. 350, 359 (1989) (When addressing questions of abstention, federal courts ought to keep in mind "the undisputed constitutional principle that Congress, and not the Judiciary, defines the scope of federal jurisdiction within the constitutionally permissible bounds."). How could it be otherwise in light of the venerable rule that Congress has virtually plenary authority to parcel out jurisdiction over federal claims among the lower courts? See, e.g., *Sheldon v. Sill*, 49 U.S. (8 How.) 441, 448 (1850) ("Congress, having the power to establish the [lower federal] courts, must define their respective jurisdictions."); *Testa v. Katt*, 330 U.S. 86 (1947) (holding

that Congress may require state courts to adjudicate federal-law claims). And how could it be otherwise given "Congress' power to prescribe the basic procedural scheme under which a claim may be heard in a federal court"? *McCarthy*, 503 U.S. at 144 (citing *Patsy*, 457 U.S. at 501-02 & n.4).

Accordingly, if the question is whether and how property owners should be allowed to pursue their federal constitutional claims for just compensation in federal court, surely the answer is for Congress to give. And on that question, whatever may be said with respect to just compensation claims asserted pursuant to § 1983, Congress has spoken with unmistakable clarity with respect to claims for just compensation asserted against states pursuant to the Patent Remedy Act: those claims may be (and must be) asserted exclusively in a federal district court. As a decision that "depart[ed] from [the Court's] established understanding" of the Just Compensation Clause and "undermine[d] the accepted function" of the Clause, *Seminole Tribe*, 517 U.S. at 66, *Williamson County* should not be allowed to stand in the way of Congress' considered determination.

CONCLUSION

The judgment of the court of appeals should be affirmed.

DATED: March, 1999.

Respectfully submitted,

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Supreme Court, U.S.

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No. 98-531

IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,
Petitioner,

v.

COLLEGE SAVINGS BANK,
Respondent.

On Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

BRIEF OF AMICUS CURIAE
ASSOCIATION OF AMERICAN RAILROADS
IN SUPPORT OF RESPONDENTS

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v. *Petitioner,*

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On Writ of Certiorari to the
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BRIEF OF AMICUS CURIAE
ASSOCIATION OF AMERICAN RAILROADS
IN SUPPORT OF RESPONDENTS

INTEREST OF THE AMICI

The Association of American Railroads ("AAR"), a railroad-industry trade association, respectfully submits this brief as *amicus curiae* in support of respondent College Savings Bank ("CSB"),¹ in order to reinforce the con-

¹ Pursuant to Supreme Court Rule 37.6, *amicus curiae* states that no counsel for any party to this dispute authored this brief in whole or in part and no person or entity, other than *amicus curiae* and its members, made a monetary contribution to the preparation or submission of this brief. All parties have consented to AAR's filing in letters on file with the Office of the Clerk of this Court.

stitutionality of the Patent and Plant Variety Protection Remedy Clarification Act's federal judicial remedy against the States, *see* 35 U.S.C. § 296 (1994) ("Patent Remedy Act"), and, more generally, to emphasize the importance of broad judicial deference to legislation abrogating state sovereign immunity through Congress's exercise of its power to enforce the substantive protections of the Fourteenth Amendment. *See* U.S. Const. amend. XIV, § 5.

Although AAR and its members² do not have an immediate interest in the availability of relief under the Patent Remedy Act, they have a substantial interest in the principles underlying the decision of the U.S. Court of Appeals for the Federal Circuit in this case, particularly with respect to its application of *City of Boerne v. Flores*, 521 U.S. 507, 117 S. Ct. 2157 (1997), and the determination of the scope of congressional legislative authority under the Enforcement Clause of the Fourteenth Amendment. AAR's interest in these issues arises from its members' frequent reliance on Section 306 of the Railroad Revitalization and Regulatory Reform Act ("4-R Act"), 49 U.S.C. § 11501 (Supp. I 1995), which permits railroads to sue states in federal court to enjoin state taxation practices that invidiously discriminate against the railroad industry.

Following this Court's decision in *City of Boerne*, two federal courts of appeals, applying the principles of that case, have concluded that, in enacting Section 306, Con-

² AAR is a voluntary, incorporated association of railroads operating in the United States, Canada and Mexico. Its members employ the substantial majority of railroad workers, operate a substantial majority of the linehaul mileage and account for virtually all of the freight revenues of all U.S. railroads. AAR frequently represents its member railroads before this Court (*see, e.g., El Paso Natural Gas Co. v. Neztosie*, No. 98-6, Brief of Amicus Curiae AAR), lower courts, Congress and regulatory agencies and tribunals when matters of common concern are at issue.

gress properly abrogated the States' sovereign immunity from suit in federal court pursuant to a valid exercise of its Fourteenth Amendment enforcement power. *See Oregon Short Line R.R. v. Department of Revenue Oregon*, 139 F.3d 1259 (9th Cir. 1998); *Wheeling & Lake Erie Ry. v. Public Util. Comm'n of Pa.*, 141 F.3d 88 (3d Cir. 1998).³ AAR, on behalf of the railroad industry, has an important and ongoing stake in ensuring that the federal judicial remedies enacted by Congress in Section 306 of the 4-R Act are not lost to the industry. It thus writes today to oppose the erosion of Congress's authority to deter and to remedy perceived violations of the Fourteenth Amendment advocated by the petitioners here and to ensure that the deferential principles of *City of Boerne* are properly applied in the context of this dispute.

SUMMARY OF ARGUMENT

The Federal Circuit properly held that the Patent Remedy Act effects a valid abrogation of state sovereign immunity pursuant to the Fourteenth Amendment. In order to find that Congress has enacted "appropriate" legislation to enforce the Fourteenth Amendment, this Court asks two relevant questions. First, the Court examines whether the legislation may be regarded as an enactment to enforce the substantive protections of the Amendment—that is, whether the ends sought to be accomplished by the legislation are legitimate under the Fourteenth Amendment. *See Katzenbach v. Morgan*, 384 U.S. 641, 651 (1966); *City of Boerne v. Flores*, 117 S. Ct. 2157, 2164 (1997).

³ This Court has pending before it two petitions for *certiorari* to review a decision of the Ninth Circuit, which applied the rule of *Oregon Short Line R.R.* to enjoin discriminatory taxation practices by the State of California. *See State Bd. of Equalization California v. Southern Pac. Transp. Co.*, No. 98-584 (petition filed Oct. 5, 1998); *State Bd. of Equalization California v. Atchison, Topeka & Santa Fe Ry.*, No. 98-1448 (petition filed Mar. 12, 1999).

Once legislation crosses this initial threshold, Congress may enact remedial legislation that prohibits not only unconstitutional, but also otherwise constitutional, state action. *City of Boerne*, 117 S. Ct. at 2162. The permissibility of such legislation is measured by a proportionality standard: "[t]here must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." *Id.* at 2164. So long as the congressional response to the constitutional threat is proportionate, the legislation is permissible under the Enforcement Clause of the Fourteenth Amendment.

The Patent Remedy Act meets this two-part *City of Boerne* standard. The ends served by the legislation are legitimate. The Patent Remedy Act targets state deprivation of property without due process. In enacting the Act, Congress could have concluded that patent holders were not afforded adequate remedies by each of the States for the infringement of their rights. Indeed, several states provided little or no remedy whatsoever for state patent infringements. Thus, Congress had the power to enact legislation to prevent these unconstitutional deprivations. Moreover, the Patent Remedy Act is a proportionate response to this constitutional threat. As applied in the majority of cases, the Act is designed to do nothing more than compensate patent holders for state infringement of their protected property interests.

Consequently, Congress's exercise of its enforcement power is entitled to deference in this Court. It should be upheld as "appropriate" legislation under Section 5 of the Fourteenth Amendment.

ARGUMENT

I. THE PATENT REMEDY ACT IS A PROPORTIONATE RESPONSE TO POTENTIAL DEPRIVATIONS OF DUE PROCESS BY THE STATES

After this Court's decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), congressional power to abrogate the States' sovereign immunity from suit in federal court is limited to legislation enacted under Section 5 of the Fourteenth Amendment ("Section 5"). Section 5 authorizes Congress "to enforce, by appropriate legislation, the provisions of this article." U.S. Const. amend XIV, § 5. Unquestionably encompassed within this congressional authority is the power to enforce the Amendment's guarantee of due process of law: "The 'provisions of this article,' to which § 5 refers, include the Due Process Clause of the Fourteenth Amendment." *City of Boerne*, 117 S. Ct. at 2163; *see also* Cong. Globe, 42nd Cong., 1st Sess. App. 83 (1871) ("The fourteenth amendment closes with the words, 'the Congress shall have power to enforce, by appropriate legislation, the provisions of this article'—the whole of it sir; all the provisions of the article; every section of it.") (statement of Rep. Bingham).

This Court has long viewed Congress's power under the enforcement clauses of the Civil War Amendments as equally broad as congressional authority under the Necessary and Proper Clause of Article I, § 8, cl. 18. *See Katzenbach v. Morgan*, 384 U.S. at 650. Shortly after the adoption of the Amendment, the Court explained the scope of congressional authority thereunder:

Whatever legislation is appropriate, that is, adapted to carry out the objects the amendments have in view, whatever tends to enforce submission to the prohibitions they contain, and to secure to all per-

sons the enjoyment of perfect equality of civil rights and the equal protection of the laws against State denial or invasion, if not prohibited, is brought within the domain of congressional power.

Ex parte Virginia, 100 U.S. 339, 345-46 (1879); see also *City of Boerne*, 117 S. Ct. at 2165.

The standard applied by the Court in determining whether legislation is "appropriate" under Section 5 was explained in *Katzenbach v. Morgan*, 384 U.S. at 651, and later refined in *City of Boerne*, 117 S. Ct. at 2164. The Court asks three questions in order to gauge whether legislation is "appropriate" under Section 5. First, the Court asks whether the legislation "may be regarded as an enactment to enforce" a substantive provision of the Fourteenth Amendment, such as the Equal Protection Clause or Due Process Clause. 384 U.S. at 651. Second, the Court inquires "whether it is 'plainly adapted to that end.'" *Id.* (citation omitted). Finally, the Court asks whether the legislation "is not prohibited by but is consistent with the 'letter and spirit of the constitution.'" *Id.* (footnote and citation omitted).

City of Boerne illuminated these standards. There, the Court considered whether Congress has the power to subject the States to the Religious Freedom Restoration Act ("RFRA") under Section 5. Congress enacted RFRA in response to this Court's decision in *Employment Div., Dept. of Human Resources Oregon v. Smith*, 494 U.S. 872 (1990), which held that laws of general applicability may incidentally burden religious practices even when not supported by a compelling governmental interest. *City of Boerne*, 117 S. Ct. at 2161. In RFRA, Congress drastically altered the governing standard, instead requiring that, where a generally-applicable law places a substantial burden on the free exercise of religion, that law

may survive only if justified by a compelling governmental interest and narrowly tailored to that interest. *Id.* at 2162.

The Court held that RFRA could not be justified as "appropriate" enforcement legislation under Section 5. In doing so, it expounded on the nature of Congress's "broad" power under that provision. See *id.* at 2163. In order to cross the initial threshold of permissibility under Section 5, legislation must "enforce" the provisions of the Fourteenth Amendment. *Id.* at 2164. "The Court has described this power as 'remedial.'" *Id.* That does not mean, however, that Congress is limited to enacting legislation that targets only state action previously found unconstitutional by the courts. See, e.g., *City of Rome v. United States*, 446 U.S. 156, 210 (1980) ("It has never been seriously maintained, however, that Congress can do no more than the judiciary to enforce the Amendments' commands.") (Rehnquist, J., dissenting). Importantly, the *City of Boerne* Court reasoned that Congress may sweep broader than simply remedying judicially-adjudged violations of the Fourteenth Amendment:

Legislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into "legislative spheres of autonomy previously reserved to the States."

Id. at 2163 (citation omitted). Thus, so long as the legislation targets some category of unconstitutional state action, it may in the course of prohibiting that conduct also prohibit some degree of otherwise constitutional conduct. See also *Idaho v. Coeur d'Alene Tribe of Idaho*, 521 U.S. 261, 279 (1997) ("Congress pursuant to its § 5 remedial powers under the Fourteenth Amendment may abrogate sovereign immunity, even if the resulting

legislation goes beyond what is constitutionally necessary").

City of Boerne's recognition that "enforcement" legislation may sweep broader than the underlying violation sought to be remedied simply reiterated the Court's conclusion in prior Section 5 cases. In *Katzenbach v. Morgan*, the Court upheld as a valid exercise of the enforcement power legislation that banned English literacy requirements for voting in federal, state and local elections, despite its previous holding in *Lassiter v. Northampton Election Bd.*, 360 U.S. 45 (1959), that a state could impose a literacy requirement without running afoul of the Equal Protection Clause of the Fourteenth Amendment. *Morgan*, 384 U.S. at 649. The *Morgan* Court reasoned that *Lassiter* was "inapposite" to the "question before us here: Without regard to whether the judiciary would find that the Equal Protection Clause itself nullifies New York's English literacy requirement as so applied, could Congress prohibit the enforcement of the state law by legislating under § 5 of the Fourteenth Amendment." *Id.* Again, in *City of Rome*, the Court upheld under the Enforcement Clause of the Fifteenth Amendment congressionally mandated preclearance procedures for state and local voting practices that targeted, *inter alia*, practices that were discriminatory in effect. 446 U.S. at 177.⁴ The Court reached this conclusion despite its prior indications that the Fifteenth Amendment prohibits only *intentional* discrimination. See 446 U.S. at 177 ("[W]e hold that the

⁴ The Court has frequently stated that Congress's power to enforce the substantive protections of the Fifteenth Amendment is coextensive with its Fourteenth Amendment enforcement power. See, e.g., *Lopez v. Monterey County*, 119 S. Ct. 693, 709 n.6 (1999) (Thomas, J. dissenting) (citations omitted); see also *City of Boerne*, 117 S. Ct. at 2163 (discussing Fifteenth Amendment jurisprudence in context of determining scope of Fourteenth Amendment enforcement power).

Act's ban on electoral changes that are discriminatory in effect is an appropriate method of promoting the purposes of the Fifteenth Amendment, even if it is assumed that § 1 if the Amendment prohibits only intentional discrimination in voting."); see also *City of Mobile v. Bolden*, 446 U.S. 55, 66-69 (1980) (opinion of Stewart, J.); *id.* at 94 (opinion of White, J.). In each case, the Court upheld the legislation because Congress could conclude that, under certain circumstances, the state conduct prohibited would be deemed unconstitutional. See *City of Boerne*, 117 S. Ct. at 2167, 2168.⁵

Consequently, after *Boerne*, *Morgan's* threshold determination of whether legislation "may be regarded as an enactment to enforce" the Fourteenth Amendment does not require a pre-enactment ruling that all of the practices prohibited by the legislation are unconstitutional. Rather, it merely requires that the legislation, as applied in some circumstances, would reach some subset of state conduct that likely would be unconstitutional. "Preventive measures prohibiting certain types of laws may be appropriate when there is reason to believe that many of the laws affected by the congressional enactment have a *significant likelihood* of being unconstitutional." *City of Boerne*, 117 S. Ct. at 2170 (emphasis added). In that case, legislation will have crossed the Section 5 threshold and may be regarded as enforcement legislation.

⁵ The *Boerne* majority did not invalidate RFRA on the grounds that the proffered justification for the statute—preventing state action that are "enacted with the unconstitutional object of targeting religious beliefs and practices," 117 S. Ct. at 2168—did not satisfy *Morgan's* first inquiry. Rather, it apparently assumed, *arguendo*, that this perceived constitutional threat would permit Congress to enact legislation as a threshold matter. RFRA ultimately failed constitutional scrutiny, however, because it was a drastically disproportionate response to this legitimate constitutional threat. See discussion *infra* at 10-11.

That does not end the inquiry, however. Where the scope of legislation is not confined to that limited subset of unconstitutional state conduct but also prohibits otherwise constitutional state action, Section 5 does not rigidly demand invalidation. In those circumstances, *City of Boerne* looked to the second leg of the *Morgan* test—proportionality—to determine the legislation’s validity. In order to fall squarely within the enforcement power, “[t]here must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end.” *City of Boerne*, 117 S. Ct. at 2164. As part of that inquiry, the Court examines the scope of the legislation and the qualifications and limitations placed upon its applicability by Congress. If sufficiently restricted in scope, application or remedy, legislation may be valid even if it “*pervasively prohibits* constitutional state action in an effort to remedy or prevent unconstitutional state action” *Id.* at 2170 (emphasis added).

Applying this proportionality test, *City of Boerne* held that RFRA fell well short of a proportionate response to the perceived threat of generally applicable laws passed because of religious bigotry. The law’s “[s]weeping coverage ensures its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter.” *Id.* The law had no limitations whatsoever on its applicability, and it subjected state laws to the most “stringent” of constitutional standards—strict scrutiny. *Id.* at 2171. Consequently, the Court concluded that “[t]he substantial costs RFRA exacts, both in practical terms of imposing a heavy litigation burden on the States and in terms of curtailing their traditional general regulatory power, far exceed any pattern or practice of unconstitutional conduct under the Free Exercise Clause as interpreted by *Smith*.” *Id.*

In this case, the relevant *Morgan/City of Boerne* tests for determining “appropriateness” demonstrate that the congressional abrogation of state sovereign immunity effected by the Patent Remedy Act is valid. First, the legislation “may be regarded as an enactment to enforce” the Due Process Clause because it targets, *inter alia*, those states that fail to provide a remedy for state patent infringement. Second, it is a proportionate response to the perceived constitutional threat—deprivations of due process by the States.⁶

A. The Patent Remedy Act May Be Regarded as Section 5 Enforcement Legislation

In determining the validity of a particular abrogation of state sovereign immunity, the threshold inquiry is whether the Act may be regarded as “enforcement” legislation, that is, whether the “end” sought by the legislation is “legitimate.” See *Morgan*, 384 U.S. at 650 (quoting *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 421 (1819)). This inquiry requires the Court to examine all of the potential applications of the legislation and ask whether, in any circumstances, the law targets state conduct or laws that “have a significant likelihood of being unconstitutional.” *City of Boerne*, 117 S. Ct. at 2170.

Petitioner would ask a different question. It argues that the Patent Remedy Act cannot be deemed appropriate under the Enforcement Clause because it does not target unconstitutional state action *in this case*. That is, because Florida courts allegedly provide a remedy for patent infringement, patent holders cannot argue that they

⁶ Of course, in every case, the Court must also consider *Morgan*’s third test: whether the law is otherwise consistent with the letter and spirit of the constitution. In this case, there are no serious claims apart from the Section 5 challenge that Congress’s power to enact patent laws is inconsistent with the constitution. Thus, this third *Morgan* standard is not addressed herein.

have been deprived of property "without due process of law." See Brief of Petitioners at 27-28 ("Pet. Br."). Petitioner's formulation of the inquiry is inconsistent with the standards applied in *City of Boerne*, which recognized that Congress may enact legislation that sweeps broader than a targeted constitutional violation, 117 S. Ct. at 2163, and that Congress must have "wide latitude" in determining whether legislation should be considered "enforcement" legislation. *Id.* at 2164. Consequently, the question of whether the particular state challenging the Patent Remedy Act provides a remedy for its infringements, while potentially relevant to the issue of proportionality, does not speak to the threshold issue of Congress's power to enforce the Due Process Clause. See *Morgan*, 384 U.S. at 649 (determining appropriateness of congressional exercise of enforcement power "[w]ithout regard to whether the judiciary would find that the Equal Protection Clause itself nullifies New York's English literacy requirement"). Instead, where legislation is directed at potential due process violations by the States, the Court must examine *each* state's law to determine whether the perceived threat is real.

The petitioner's (and its *amici*'s) primary complaint is that Congress did not adequately consider the possibility that states already provided an adequate post-deprivation remedy to injured patent holders; thus, the Patent Remedy Act could not conceivably be deemed appropriate enforcement legislation under Section 5. As an initial matter, the fact that Congress did not specifically describe circumstances in which states had previously infringed patent rights without providing due process for redressing those injuries cannot, of itself, invalidate the law. As this Court has repeatedly held, judicial deference to Congress's exercise of its enforcement power "is based not on the state of the legislative record Congress compiles but on

'due regard for the decision of the body constitutionally appointed to decide.'" *City of Boerne*, 117 S. Ct. at 2170 (quoting *Oregon v. Mitchell*, 400 U.S. at 207 (opinion of Harlan, J.)); cf. *EEOC v. Wyoming*, 460 U.S. 226, 243 (1983). Consequently, the inquiry must be whether Congress *could have found*, at the time of enactment, that some states were not affording due process to parties injured by the state's patent infringements.

Based on the state law existing at the time of enactment, Congress could easily have found that some states did not provide adequate process to parties injured by a state's patent infringement. In some cases, state legal remedies for patent infringement were non-existent, while in others, they were seriously questionable or otherwise inadequate. Neither petitioner nor its *amici* deny this, arguing instead that *most* states provided *some* remedy for state torts. See, e.g., Brief of *Amici Curiae* States of Ohio *et al.* at 8 ("Ohio Br.") ("Indeed, *virtually all* the States have waived their sovereign immunity to *some extent* in their own courts or at least have provisions for 'takings,' 'inverse condemnation,' or tort claims in some forum.") (emphasis added).

Indeed, an examination of the comprehensive list of state laws provided by *amici* States of Ohio *et al.* in Appendix B to their brief demonstrates that potential due process violations loomed large at the time of enactment of the Patent Remedy Act:

- In West Virginia, the state constitution forecloses any relief against the state in state courts: "The State of West Virginia *shall never be made defendant in any court of law or equity . . .*" W. Va. Const. art. VI, § 35.⁷ Accordingly, the state

⁷ The state constitutional and statutory provisions discussed in this section are reproduced in relevant part in an appendix to this brief.

tort claims act waives sovereign immunity from suit only for "political subdivisions" of the state, and not the state itself. *See* W. Va. Code Ann. § 29-12A-4. Thus, West Virginia apparently provides *no process* for a party injured by the state's patent infringement.

- Similarly, in Colorado, the state's waiver of sovereign immunity is specifically limited by statute to a narrow class of tortious acts, such as negligent operation of a motor vehicle, which apparently do not include tortious interference with a property right, such as a patent. *See* Colo. Rev. Stat. Ann. § 24-10-106. Nor would Colorado's inverse condemnation statute, which is limited to actions relating to "real property," permit recovery for patent infringement. *See* Colo. Rev. Stat. Ann. § 24-56-116.
- Maine's legislative waiver of sovereign immunity is similarly limited by a general rule against waiver, with certain limited exceptions that do not include patent infringement actions or their equivalent common law claim. *See* Me. Rev. Stat. Ann. tit. 14, §§ 8103, 8104-A.
- Wyoming's law is to the same effect. *See* Wyo. Stat. Ann. § 1-39-104 through -112 (limited waiver of sovereign immunity); Wyo. Stat. Ann. § 1-26-516 (inverse condemnation for improper possession of or damage to "land").
- Maryland's law limits liability for claims against the state to \$100,000, a value that could be severely inadequate in many cases of patent infringement. *See* Md. Code Ann., Cts. & Jud. Proc. § 5-522(a)(5).
- Many states provide "good faith" or discretionary function exceptions to their sovereign immunity waivers that would exempt state patent infringe-

ments where the state acts in the exercise of due care or in the performance of a discretionary function under a valid state law. *See, e.g.*, Ind. Code § 34-14-4-4(6), (8); Minn. Stat. Ann. § 3.736; Tenn. Code Ann. §§ 29-20-201, 29-20-205; Ga. Code Ann. § 50-21-24(1)-(2); Del. Code § 4001(1)-(2).

- Many of the state inverse condemnation statutes relied upon by *amici*, like those in Colorado and Wyoming, permit recovery only for injuries to "real property." *See, e.g.*, Conn. Gen. Stat. Ann. § 48-17b; Haw. Rev. Stat. Ann. § 113-4; Miss. Code Ann. § 43-37-9; N.C. Gen. Stat. §§ 40A-2(7), 40A-51.

Against this backdrop, Congress clearly could have concluded that a federal remedy was necessary both to "deter[]" and to "remed[y]" possible state action that had a "significant likelihood of being unconstitutional." *See City of Boerne*, 117 S. Ct. at 2163, 2170. It is wholly unrealistic to expect that, in any context, the laws of every State in the Union will be inadequate to protect due process rights. Insistence on such a circumstance as a precondition to Congress's exercise of its Section 5 enforcement powers would, as a practical matter, eviscerate that power. This Court's Section 5 decisions do not so limit congressional authority. *See id.* at 2162.⁸ Here,

⁸ This does not mean that no legislation will ever fail *Morgan's* "legitimacy" inquiry. For example, in the *Civil Rights Cases*, 109 U.S. 3 (1883), this Court held that the "public accommodation" provisions of the Civil Rights Act of 1875 were invalid enactments under Section 5 of the Fourteenth Amendment. The challenged sections of the Act prohibited private conduct that discriminated against individuals on account of race or color in the provision of public accommodations. *Id.* at 9-10. The Court found that Congress did not have the authority to enact the legislation because, *inter alia*, the prohibited conduct did not rise to the level of state action. *Id.* at 13. Thus, under *no circumstances* could the Fourteenth

many state laws existing at the time of the enactment of the Patent Remedy Act were wholly inadequate to deal with potential infringements upon a patent holder's rights by these states. Accordingly, regardless of whether the State of Florida provided adequate remedies, the end sought by the Patent Remedy Act, providing due process of law to parties injured by a state's patent infringement, is legitimate. The Patent Remedy Act thus is properly regarded as an enactment to remedy and to prevent these possible due process violations.⁹

B. The Patent Remedy Act Is a Proportionate Response to the Perceived Constitutional Threat

Once *Morgan's* threshold determination is met, the Court then asks whether the legislation is a proportionate

Amendment be viewed as prohibiting the conduct targeted by the legislation. See also *United States v. Harris*, 106 U.S. 629, 640 (1883) ("As . . . the section of the law under consideration is directed *exclusively* against the action of private persons, without reference to the laws of the State[,] or their administration by her officers, we are clear in the opinion that it is not warranted by any clause in the Fourteenth Amendment to the Constitution.") (emphasis added). Similarly, in *Wilson-Jones v. Caviness*, 107 F.3d 358 (6th Cir. 1997), the Court held that states could not be sued in federal court under an amendment to the Fair Labor Standards Act ("FLSA") because the provisions of the Act were impermissible under Section 5. There, as with the *Civil Rights Cases*, it was impossible to conceive of a circumstance in which Congress could have concluded that the relevant provisions of the Act, which mandated minimum wage and maximum hours for state employees, were targeted at unconstitutional state conduct. The Equal Protection Clause would permit the classifications drawn by the FLSA in all circumstances. Thus, the ends sought to be achieved by the FLSA, as applied to the states, were illegitimate.

⁹ Petitioner also argues that the legislation cannot be justified because it neither protects a protectible property interest nor targets unconstitutional intentional deprivations. Because these issues appear to relate solely to the specific statute at issue here, and do not raise issues potentially affecting the railroad industry, AAR does not address those issues in this brief.

response to the constitutional violations targeted. *City of Boerne*, 117 S. Ct. at 2164. In making this inquiry, *City of Boerne* recognized that "preventive rules are sometimes appropriate remedial measures." *Id.* at 2169; see also *College Sav. Bank v. Florida Prepaid Postsecondary Edu. Expense Bd.*, 148 F.3d 1343, 1351 (Fed. Cir. 1998) ("We do not read the precedent to permit abrogation of the state's immunity only in those instances in which a state provides no due process in its own courts to redress the alleged misconduct."). Against the harm sought to be redressed by the legislation, the Court balances the degree of intrusion of the legislation upon state conduct, including whether the legislation "affect[s] a discrete class of state" action, the scope of the "litigation burden on the States," and the degree to which the legislation curtails the States' "general regulatory power." 117 S. Ct. at 2170-71. Legislation that is tailored in its scope and remedy is more likely to be constitutional than the pervasive and draconian legislation struck down in *City of Boerne*.

The Patent Remedy Act meets this proportionality standard. First, the remedies provided by the Act are proportionate to the type of harm inflicted. For instance, although treble damages are permitted under the Act, they are only permitted where the state's conduct in infringing a patent is found to be willful and deliberate. 35 U.S.C. §§ 284-85 (1994). In all other cases, damages are limited to those necessary to compensate the patent holder for the infringement. *Id.* § 284.

Second, the scope of the Act does not remotely resemble the scope of RFRA, invalidated in *City of Boerne*. There, RFRA potentially applied to every single piece of state legislation and prohibited all manner of official action. 117 S. Ct. at 2170. Here, by contrast, state patent infringements are likely confined to a narrow class of

state conduct, primarily where the state conducts itself as a commercial actor. *See* Pet. App. A at 24a.

Finally, according to the petitioner's own argument, the litigation burden imposed by the legislation should be relatively minor. As petitioner argues, the Federal Circuit's opinion pointed to only "eight instances between 1887 and 1990 where states have been sued for patent infringement." Pet. Br. at 27. Thus, the patent infringement litigation burden on the states to date has been inconsequential. This empirical evidence demonstrates that, unlike RFRA, the Patent Remedy Act does not exact "substantial costs" or "impos[e] . . . heavy litigation burden[s] on the States." 117 S. Ct. at 2171.

Doubtless, Congress could have provided a more tailored remedy against the States in the Patent Remedy Act. But the Fourteenth Amendment Enforcement Clause does not require a perfect fit, nor does it permit this Court to substitute in a wholesale manner its judgment for that of Congress. Section 5 legislation does not require "termination dates, geographic restrictions or egregious predicates" to pass constitutional scrutiny. *City of Boerne*, 117 S. Ct. at 2170. These limitations merely aid this Court in reviewing the permissibility of congressional action. In the "first instance," however, Congress must "'determin[e] whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment,' and its conclusions are entitled to much deference." *Id.* at 2172 (citation omitted). The Court must perform its judicial review function against the "presumption of validity [that congressional] enactments now enjoy." *Id.* It is only where the remedy created by congressional legislation so overreaches the unconstitutional evil addressed by the legislation that the Court may invalidate the legislation.

II. PETITIONER CORRECTLY CITES SECTION 306 OF THE 4-R ACT AS AN EXAMPLE OF A PROPER CONSTITUTIONAL ABROGATION OF STATE SOVEREIGN IMMUNITY

While AAR disagrees with petitioner regarding the constitutionality of the Patent Remedy Act, AAR shares common ground with petitioner on one crucial point: that Section 306 of the 4-R Act, 49 U.S.C. § 11501—the statute that prompted AAR to file this *amicus* brief—presents an even more compelling case of "appropriate" legislation to enforce the Fourteenth Amendment. In its brief on the merits, petitioner cites *Wheeling & Lake Erie Ry.*, 141 F.3d 88—in which the Third Circuit upheld Section 306 as a valid exercise of congressional enforcement power under the Fourteenth Amendment—as an example of cases in which lower courts have found "the existence of unconstitutional behavior to justify § 5 legislation." Pet. Br. at 22. Similarly, in its petition for writ of *certiorari*, petitioner described Section 306 as a statute directed at state conduct by which "traditional guarantees of the Fourteenth Amendment were very closely implicated." Cert. Pet. at 13 (citing *Wheeling*).

As every court of appeals that has reached the issue has held, Section 306 is indeed a classic case of Congress's use of its Section 5 enforcement power to remedy a violation of the Fourteenth Amendment's substantive protections—in this case, the Equal Protection Clause. *See Wheeling*, 141 F.3d 88; *Oregon Short Line R.R.*, 139 F.3d 1259. In that statute, Congress sought to remedy what it perceived to be invidious discrimination by the States against interstate railroads: "Unfortunately, interstate carriers, especially railroads, are easy prey for State and local tax assessors. Railroads, oil pipelines, and other interstate carriers are nonvoting, often nonresident, targets for local taxation, and cannot easily remove their

right-of-way and terminals." S. Rep. No. 630, 91st Cong., 1st Sess. 3 (1969). Confronted with evidence that "the railroads ha[d] been assessed more than \$900 million in discriminatory taxes" during a nine-year period ending in the late 1960's, *id.* at 3, and the absence of a "plain, speedy, and efficient remedy," in state or federal courts, *id.* at 7, Congress enacted legislation providing a modest remedy—the right to sue an offending state in federal court "to prevent a violation" of the 4-R Act's prohibition against discriminatory state taxation of railroads. See 49 U.S.C. § 11501(c).

As petitioners' argument implies, Section 306 is the paradigm of a proportionate congressional response to a perceived constitutional threat. See *City of Boerne*, 117 S. Ct. at 2164. The legislation was enacted to address what Congress perceived as impermissible discrimination against a discrete class of individuals. As one court that has upheld the Act reasoned, "there can be little doubt that discriminatory state taxation can implicate equal protection concerns." *Oregon Short Line R.R.*, 139 F.3d at 1266.

Congress's goal in adopting Section 306—preventing invidious discrimination against the railroads—is, as petitioner itself recognizes, clearly a legitimate Fourteenth Amendment objective. In examining state taxation practices regarding interstate railroads, Congress could have determined that state practices violated the Equal Protection Clause in numerous circumstances. First, states run afoul of the constitutional guarantee of equal protection by subjecting railroads as a class to invidious discrimination. See *Morgan*, 384 U.S. at 656 ("[I]t is enough that we perceive a basis upon which Congress might predicate a judgment that [the challenged state law] . . . constituted an invidious discrimination in violation of the Equal Pro-

tection Clause."); see also *United States v. Uvalde Consol. Indep. Sch. Dist.*, 625 F.2d 547, 553 (5th Cir. 1980) ("Congress's power under Section 5 of the fourteenth amendment clearly extends to protection of any group of persons invidiously discriminated against by state law . . ."), *cert. denied*, 451 U.S. 1002 (1981); *Wilson-Jones*, 99 F.3d at 210 n.4 (noting that enforcement legislation may be more appropriate "if Congress made findings that a particular group needed legal protection to remedy some sort of invidious discrimination not directly addressed by federal precedent").

Second, Congress could also have determined that states violated the equal protection clause where they applied otherwise neutral state tax laws in a discriminatory manner against the railroads. See *Allegheny-Pittsburgh Coal Co. v. County Comm'n*, 488 U.S. 336 (1989). Thus, to the extent Section 306 addresses the unequal assessment practices of the States, its purpose is clearly legitimate under the equal protection clause.

Section 306 is also a classic example of a proportionate legislative response to Congress's legitimate perception of unconstitutional discrimination by the States. Its remedial provisions are narrowly tailored "to prevent[ing] a violation" of the 4-R Act's anti-discrimination provisions. 49 U.S.C. § 11501(c). Thus, railroads generally have recourse only to non-monetary, equitable and declaratory relief.¹⁰ Moreover, courts are not permitted to enjoin collection or assessment of all state railroad taxes, but only the discriminatory portion of the state tax. Finally, Section 306 permits relief only where railroads can show

¹⁰ See Pub. L. No. 94-210, § 306(2), 90 Stat. 31, 54 (1976) (permitting federal courts "to grant such mandatory or prohibitive injunctive relief, interim equitable relief, and declaratory judgments as may be necessary to prevent, restrain, or terminate any acts in violation of" Section 306).

that the assessed value of their property is at least five percent greater than similar commercial and industrial property. 49 U.S.C. § 11501(c). Thus, where there is only a minimal level of discrimination, federal courts have no power to interfere under Section 306, even if that discrimination might itself violate the Equal Protection Clause.

An analysis of Section 306 thus confirms the appropriateness of the two-part test applied by this Court in *City of Boerne* for determining whether congressional abrogation of sovereign immunity is "appropriate" under Section 5. Petitioners' efforts to undermine that test and to erode the authority of Congress to deter and to remedy violations of the Fourteenth Amendment should be rejected.

CONCLUSION

For the reasons stated herein, this Court should affirm the decision of the Federal Circuit.

Respectfully submitted,

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APPENDIX

APPENDIX

Colo. Rev. Stat. Ann. § 24-10-106. Immunity and partial waiver

(1) A public entity shall be immune from liability in all claims for injury which lie in tort or could lie in tort regardless of whether that may be the type or the form of relief chosen by the claimant except as provided otherwise in this section. Sovereign immunity is waived by a public entity in an action for injuries resulting from:

(a) The operation of a motor vehicle, owned or leased by such public entity, by a public employee while in the course of employment, except emergency vehicles operating within the provisions of section 42-4-108(2) and (3), C.R.S.;

(b) the operation of any public hospital, correctional facility, as defined in section 17-1-102, C.R.S., or jail by such public entity;

(c) A dangerous condition of any public building;

(d)(I) A dangerous condition of a public highway, road, or street which physically interferes with the movement of traffic on the paved portion, if paved, or on the portion customarily used for travel by motor vehicles, if unpaved, of any public highway, road, street, or sidewalk within the corporate limits of any municipality, or of any highway which is a part of the federal interstate highway system or the federal primary highway system, or of any highway which is a part of the federal secondary highway system, or of any highway which is a part of the state highway system on that portion of such highway, road, street, or sidewalk which was designed and intended for public travel or parking thereon. As used in this section, the phrase "physically inter-

feres with the movement of traffic" shall not include traffic signs, signals, or markings, or the lack thereof. Nothing in this subparagraph (I) shall preclude a particular dangerous accumulation of snow, ice, sand, or gravel from being found to constitute a dangerous condition in the surface of a public roadway when the entity fails to use existing means available to it for removal or mitigation of such accumulation and when the public entity had actual notice through the proper public official responsible for the roadway and had a reasonable time to act.

(II) A dangerous condition caused by the failure to realign a stop sign or yield sign which was turned, without authorization of the public entity, in a manner which reassigned the right-of-way upon intersecting public highways, roads, or streets, or the failure to repair a traffic control signal on which conflicting directions are displayed;

(III) A dangerous condition caused by an accumulation of snow and ice which physically interferes with public access on walks leading to a public building open for public business when a public entity fails to use existing means available to it for removal or mitigation of such accumulation and when the public entity had actual notice of such condition and a reasonable time to act.

(e) A dangerous condition of any public hospital, jail, public facility located in any park or recreation area maintained by a public entity, or public water, gas, sanitation, electrical, power, or swimming facility. Nothing in this paragraph (e) or in paragraph (d) of this subsection (1) shall be construed to prevent a public entity from asserting sovereign immunity for an injury caused by the natural condition of

any unimproved property, whether or not such property is located in a park or recreation area or on a highway, road, or street right-of-way.

(f) The operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility, or swimming facility by such public entity.

(1.5)(a) The waiver of sovereign immunity created in paragraphs (b) and (c) of subsection (1) of this section does not apply to claimants who have been convicted of a crime and incarcerated in a correctional facility or jail pursuant to such conviction, and such correctional facility or jail shall be immune from liability as set forth in subsection (1) of this section.

(b) The waiver of sovereign immunity created in paragraphs (b) and (c) of subsection (1) of this section does apply to claimants who are incarcerated but not yet convicted of the crime for which such claimants are being incarcerated if such claimants can show injury due to negligence.

(2) Nothing in this section or in section 24-10-104 shall be construed to constitute a waiver of sovereign immunity where the injury arises from the act, or failure to act, of a public employee where the act is the type of act for which the public employee would be or heretofore has been personally immune from liability.

(3) In addition to the immunity provided in subsection (1) of this section, a public entity shall also have the same immunity as a public employee for any act or failure to act for which a public employee would be or heretofore has been personally immune from liability.

(4) No rule of law imposing absolute or strict liability shall be applied in any action against a public entity or

a public employee for an injury resulting from a dangerous condition of, or the operation and maintenance of, a public water facility or public sanitation facility. No liability shall be imposed in any such action unless negligence is proven.

Colo. Rev. Stat. Ann. § 24-56-116. Inverse condemnation proceedings

Where an inverse condemnation proceeding is instituted by the owner of any right, title, or interest in real property because of the alleged taking of his property for any program or project for which federal financial assistance will be available to pay all or any part of the cost of the program or project, the court rendering a judgment for the plaintiff in such proceeding and awarding compensation for the taking of property or the attorney for the acquiring agency effecting a settlement of any such proceeding shall determine and award or allow to such plaintiff, as a part of such judgment or settlement, such sum as will, in the opinion of the court or such attorney, reimburse such plaintiff for his reasonable costs, disbursements, and expenses, including reasonable attorney, appraisal, and engineering fees actually incurred because of such proceeding.

Conn. Gen. Stat. Ann. § 48-17b. Inverse condemnation. Plaintiffs award

The state court rendering a judgment for the plaintiff in an inverse condemnation proceeding brought against the state by the owner of real property, or the Attorney General effecting a settlement of any such proceeding, shall determine and award or allow to such plaintiff, as a part of such judgment or settlement, such sum as will in the opinion of the court or the Attorney General reimburse such plaintiff for his reasonable costs, disburse-

ments and expenses, including reasonable attorney, appraisal and engineering fees, actually incurred because of such proceeding.

Del. Code § 4001(1)-(2). Limitation on civil liability

Except as otherwise provided by the Constitutions or laws of the United States or of the State, as the same may expressly require or be interpreted as requiring by a court of competent jurisdiction, no claim or cause of action shall arise, and no judgment, damages, penalties, costs or other money entitlement shall be awarded or assessed against the State or any public officer or employee, including the members of any board, commission, conservation district or agency of the State, whether elected or appointed, and whether now or previously serving as such, in any civil suit or proceeding at law or in equity, or before any administrative tribunal, where the following elements are present:

(1) The act or omission complained of arose out of and in connection with the performance of an official duty requiring a determination of policy, the interpretation or enforcement of statutes, rules or regulations, the granting or withholding of publicly created or regulated entitlement or privilege or any other official duty involving the exercise of discretion on the part of the public officer, employee or member, or anyone over whom the public officer, employee or member shall have supervisory authority;

(2) The act or omission complained of was done in good faith and in the belief that the public interest would best be served thereby; and

(3) The act or omission complained of was done without gross or wanton negligence;

provided that the immunity of judges, the Attorney General and Deputy Attorneys General, and members of the General Assembly shall, as to all civil claims or causes of action founded upon an act or omission arising out of the performance of an official duty, be absolute; provided further that in any civil action or proceeding against the State or a public officer, employee or member of the State, the plaintiff shall have the burden of proving the absence of 1 or more of the elements of immunity as set forth in this section.

Ga. Code Ann. § 50-21-24(1)-(2). Exceptions to state liability

The state shall have no liability for losses resulting from:

(1) An act or omission by a state officer or employee exercising due care in the execution of a statute, regulation, rule, or ordinance, whether or not such statute, regulation, rule, or ordinance is valid;

(2) The exercise or performance of or the failure to exercise or perform a discretionary function or duty on the part of a state officer or employee, whether or not the discretion involved is abused;

* * * *

Haw. Rev. Stat. Ann. § 113-4. Proceeding by owner

Where an inverse condemnation proceeding is instituted by the owner of any right, title or interest in real property because of use of the owner's property in any program or project in which federal or federal-aid funds are used, the court, rendering a judgment for the plaintiff in such proceeding and awarding compensation for the taking of property, or the State's attorney effecting a settlement of any such proceeding, shall determine and award or allow

to such plaintiff, as a part of such judgment or settlement, such sums as will, in the opinion of the court or the State's attorney, reimburse such plaintiff for the plaintiff's reasonable costs, disbursements and expenses, including reasonable attorney, appraisal and engineering fees, actually incurred because of such proceeding.

Ind. Code § 34-13-3-3(6), (8). Losses for which governmental entity or employee not liable

A governmental entity or an employee acting within the scope of the employee's employment is not liable if a loss results from:

* * * *

(6) the performance of a discretionary function; however, the provision of medical or optical care, as provided in, IC 34-6-2-38 shall be considered as a ministerial act;

* * * *

(8) an act or omission performed in good faith and without malice under the apparent authority of a statute which is invalid, if the employee would not have been liable had the statute been valid;

* * * *

Md. Code Ann. Cts. & Jud. Proc. § 5-522(a)(5). State and its personnel and units

(a) Tort liability—Exclusions from waiver under § 12-104 of the State Government Article. —Immunity of the State is not waived under § 12-104 of the State Government Article for:

* * * *

(5) A claim by an individual arising from a single incident or occurrence that exceeds \$100,000;

* * * *

Me. Rev. Stat. tit. 14, § 8103. Immunity from suit

1. Immunity. Except as otherwise expressly provided by statute, all governmental entities shall be immune from suit on any and all tort claims seeking recovery of damages. When immunity is removed by this chapter, any claim for damages shall be brought in accordance with the terms of this chapter.

Me. Rev. Stat. tit. 14, § 8104-A. Exceptions to immunity

Except as specified in section 8104-B, a governmental entity is liable for property damage, bodily injury or death in the following instances.

1. OWNERSHIP; MAINTENANCE OR USE OF VEHICLES, MACHINERY AND EQUIPMENT. A governmental entity is liable for its negligent acts or omissions in its ownership, maintenance or use of any:

- A. Motor vehicle, as defined in Title 29-A, section 101, subsection 42;
- B. Special mobile equipment, as defined in Title 29-A, section 101, subsection 70;
- C. Trailers, as defined in Title 29-A, section 101, subsection 86;
- D. Aircraft, as defined in Title 6, section 3, subsection 5;
- E. Watercraft, as defined in Title 12, section 662, subsection 12;
- F. Snowmobiles, as defined in Title 12, section 7821, subsection 5;
- G. Other machinery or equipment, whether mobile or stationary.

The provisions of this section do not apply to the sales of motor vehicles and equipment at auction by a governmental entity.

2. PUBLIC BUILDINGS. A governmental entity is liable for its negligent acts or omissions in the construction, operation or maintenance of any public building or the appurtenances to any public building. Notwithstanding this subsection, a governmental entity is not liable for any claim which results from:

A. The construction, ownership, maintenance or use of:

- (1) Unimproved land;
- (2) Historic sites, including, but not limited to, memorials, as defined in Title 12, section 601, subsection 1;
- (3) Land, buildings, structures, facilities or equipment designed for use primarily by the public in connection with public outdoor recreation; or
- (4) Dams;

B. The ownership, maintenance or use of any building acquired by a governmental entity for reasons of tax delinquency, from the date of foreclosure and until actual possession by the delinquent taxpayer or the taxpayer's lessee or licensee has ceased for a period of 60 days; or

C. The ownership, maintenance or use of any building acquired by a governmental entity by eminent domain or by condemnation until actual possession by the former owner or the owner's lessee or licensee has ceased for a period of 60 days;

3. DISCHARGE OF POLLUTANTS. A governmental entity is liable for its negligent acts or omissions in the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalines, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere

or any water course or body of water, but only to the extent that the discharge, dispersal, release or escape complained of is sudden and accidental.

4. ROAD CONSTRUCTION, STREET CLEANING OR REPAIR. A governmental entity is liable for its negligent acts or omissions arising out of and occurring during the performance of construction, street cleaning or repair operations on any highway, town way, sidewalk, parking area, causeway, bridge, airport runway or taxiway, including appurtenances necessary for the control of those ways including, but not limited to, street signs, traffic lights, parking meters and guardrails. A governmental entity is not liable for any defect, lack of repair or lack of sufficient railing in any highway, town way, sidewalk, parking area, causeway, bridge, airport runway or taxiway or in any appurtenance thereto.

Minn. Stat. Ann. § 3.736. Tort claims.

Subdivision 1. General rule. The state will pay compensation for injury to or loss of property or personal injury or death caused by an act or omission of an employee of the state while acting within the scope of office or employment or a peace officer who is not acting on behalf of a private employer and who is acting in good faith under section 629.40, subdivision 4, under circumstances where the state, if a private person, would be liable to the claimant, whether arising out of a governmental or proprietary function. Nothing in this section waives the defense of judicial or legislative immunity except to the extent provided in subdivision 8.

* * * *

Subd. 3. Exclusions. Without intent to preclude the courts from finding additional cases where the state and its employees should not, in equity and good conscience, pay compensation for personal injuries or property losses,

the legislature declares that the state and its employees are not liable for the following losses:

(a) a loss caused by an act or omission of a state employee exercising due care in the execution of a valid or invalid statute or rule;

(b) a loss caused by the performance or failure to perform a discretionary duty, whether or not the discretion is abused;

* * * *

Miss. Code Ann. § 43-37-9. Reimbursement of expenses in cases of inverse condemnation

Where an inverse condemnation proceeding is instituted by the owner of any right, title or interest in real property because of use of his property in any program or project in which federal and/or federal-aid funds are used, the court, rendering a judgment for the plaintiff in such proceeding and awarding compensation for the taking of property, or the state's attorney effecting a settlement of any such proceeding, shall determine and award or allow to such plaintiff, as a part of such judgment or settlement, such sum as will, in the opinion of the court or the state's attorney, reimburse such plaintiff for his reasonable costs, disbursements and expenses, including reasonable attorney, appraisal and engineering fees, actually incurred because of such proceeding.

N.C. Gen. Stat. § 40A-2(7). Definitions

As used in this Chapter the following words and phrases have the meanings indicated unless the context clearly requires another meaning:

* * * *

(7) "Property" means any right, title, or interest in land, including leases and options to buy or sell. "Property" also includes rights of access, rights-of-way, easements, water rights, air rights, and any other privilege or appurtenance in or to the possession, use, and enjoyment of land.

N.C. Gen. Stat. § 40A-51. Remedy where no declaration of taking filed; recording memorandum of action

(a) If property has been taken by an act or omission of a condemnor listed in G.S. 40A-3(b) or (c) and no complaint containing a declaration of taking has been filed the owner of the property, may initiate an action to seek compensation for the taking. The action may be initiated within 24 months of the date of the taking of the affected property or the completion of the project involving the taking, whichever shall occur later. The complaint shall be filed in the superior court and shall contain the following: the names and places of residence of all persons who are, or claim to be, owners of the property, so far as the same can by reasonable diligence be ascertained; if any persons are under a legal disability, it must be so stated; a statement as to any encumbrances on the property; the particular facts which constitute the taking together with the dates that they allegedly occurred, and; a description of the property taken. Upon the filing of said complaint summons shall issue and together with a copy of the complaint be served on the condemnor. The allegations of said complaint shall be deemed denied; however, the condemnor within 60 days of service summons and complaint may file answer thereto. If the taking is admitted by the condemnor, it shall, at the time of filing the answer, deposit with the court the estimated amount of compensation for the taking. Notice of the deposit shall be given to the owner. The owner may apply for

disbursement of the deposit and disbursement shall be made in accordance with the applicable provisions of G.S. 40A-44. If a taking is admitted, the condemnor shall, within 90 days of the filing of the answer to the complaint, file a map or plat of the property taken. The procedure hereinbefore set out in this Article and in Article 4 shall be followed for the purpose of determining all matters raised by the pleadings and the determination of just compensation.

(b) The owner at the time of filing of the complaint shall record a memorandum of action with the register of deeds in all counties in which the property involved is located. The memorandum is to be recorded among the land records of the county. The memorandum of action shall contain:

(1) The names of those persons who the owner is informed and believes to be or claim to be owners of the property;

(2) A description of the entire tract or tracts affected by the alleged taking sufficient for the identification thereof;

(3) A statement of the property allegedly taken; and

(4) The date on which owner alleges the taking occurred, the date on which said action was instituted, the county in which it was instituted, and such other reference thereto as may be necessary for the identification of said action.

(c) Nothing in this section shall in any manner affect an owner's common-law right to bring an action in tort for damage to his property.

Tenn. Code Ann. § 29-20-201. General rule of immunity from suit—Exception

(a) Except as may be otherwise provided in this chapter, all governmental entities shall be immune from suit for any injury which may result from the activities of such governmental entities wherein such governmental entities are engaged in the exercise and discharge of any of their functions, governmental or proprietary.

(b)(1) The general assembly finds and declares that the services of governmental entity boards, commissions, authorities and other governing agencies are critical to the efficient conduct and management of the public affairs of the citizens of this state. Complete and absolute immunity is required for the free exercise and discharge of the duties of such boards, commissions, authorities and other governing agencies. Members of boards, commissions, authorities, and other governing agencies must be permitted to operate without concern for the possibility of litigation arising from the faithful discharge of their duties.

(2) All members of boards, commissions, agencies, authorities, and other governing bodies of any governmental entity, created by public or private act, whether compensated or not, shall be immune from suit arising from the conduct of the affairs of such board, commission, agency, authority, or other governing body. Such immunity from suit shall be removed when such conduct amounts to willful, wanton, or gross negligence.

(c) When immunity is removed by this chapter any claim for damages must be brought in strict compliance with the terms of this chapter.

Tenn. Code Ann. § 29-20-205. Removal of immunity for injury caused by negligent act or omission of employees—Exceptions

Immunity from suit of all governmental entities is removed for injury proximately caused by a negligent act or omission of any employee within the scope of his employment except if the injury:

(1) Arises out of the exercise or the failure to exercise or perform a discretionary function, whether or not the discretion is abused;

* * * *

W. Va. Const. art. VI, § 35. State not to be made defendant in any court

The State of West Virginia shall never be made defendant in any court of law or equity, except the State of West Virginia, including any subdivision thereof, or any municipality therein, or any officer, agent, or employee thereof, may be made defendant in any garnishment or attachment proceeding, as garnishee or suggestee.

W. Va. Code Ann. § 29-12A-4. State not to be made defendant in any court

(a) The distinction existing between governmental functions and proprietary functions of political subdivisions is not affected by the provisions of this article; however, the provisions of this article shall apply to both governmental and proprietary functions.

(b) (1) Except as provided in subsection (c) of this section, a political subdivision is not liable in damages in a civil action for injury, death, or loss of persons or property allegedly caused by any act or omission of the political subdivision or any employee of the political sub-

division in connection with a governmental or proprietary function: Provided, That this article shall not restrict the availability of mandamus, injunction, prohibition, and other extraordinary remedies.

* * * *

Wyo. Stat. Ann. § 1-26-516. Action for inverse condemnation

When a person possessing the power of condemnation takes possession of or damages land in which he has no interest, or substantially diminishes the use or value of land, due to activities on adjoining land without the authorization of the owner of the land or before filing an action of condemnation, the owner of the land may file an action in district court seeking damages for the taking or damage and shall be granted litigation expenses if damages are awarded to the owner.

Wyo. Stat. Ann. § 1-39-104. Granting immunity from tort liability; liability on contracts; exceptions

(a) A governmental entity and its public employees while acting within the scope of duties are granted immunity from liability for any tort except as provided by W.S. 1-39-105 through 1-39-112. Any immunity in actions based on a contract entered into by a governmental entity is waived except to the extent provided by the contract if the contract was within the powers granted to the entity and was properly executed. The claims procedures of W.S. 1-39-113 apply to contractual claims against governmental entities.

(b) When liability is alleged against any public employee, if the governmental entity determines he was acting within the scope of his duty, whether or not alleged

to have been committed maliciously or fraudulently, the governmental entity shall provide a defense at its expense.

(c) A governmental entity shall assume and pay a judgment entered under this act against any of its public employees, provided:

(i) The act or omission upon which the claim is based has been determined by a court or jury to be within the public employee's scope of duties;

(ii) The payment for the judgment shall not exceed the limits provided by W.S. 1-39-118; and

(iii) All appropriate appeals from the judgment have been exhausted or the time has expired when appeals may be taken.

(d) A governmental entity shall assume and pay settlements of claims under this act against its public employees in accordance with W.S. 1-39-115, 1-41-106 or 1-42-107.

Wyo. Stat. Ann. § 1-39-105. Liability; operation of water vehicles, aircraft and watercraft

A governmental entity is liable for damages resulting from bodily injury, wrongful death or property damage caused by the negligence of public employees while acting within the scope of their duties in the operation of any motor vehicle, aircraft or watercraft.

Wyo. Stat. Ann. § 1-39-106. Liability; buildings, recreation areas and public parks

A governmental entity is liable for damages resulting from bodily injury, wrongful death or property damage caused by the negligence of public employees while acting within the scope of their duties in the operation or

maintenance of any building, recreation area or public park.

Wyo. Stat. Ann. § 1-39-107. Liability; airports

(a) A governmental entity is liable for damages resulting from bodily injury, wrongful death or property damage caused by the negligence of public employees while acting within the scope of their duties in the operation of airports.

(b) The liability imposed pursuant to subsection (a) of this section does not include liability for damages due to the existence of any condition arising out of compliance with any federal or state law or regulation governing the use and operation of airports.

Wyo. Stat. Ann. § 1-39-108. Liability; public utilities

(a) A governmental entity is liable for damages resulting from bodily injury, wrongful death or property damage caused by the negligence of public employees while acting within the scope of their duties in the operation of public utilities and services including gas, electricity, water, solid or liquid waste collection or disposal, heating and ground transportation.

(b) The liability imposed pursuant to subsection (a) of this section does not include liability for damages resulting from bodily injury, wrongful death or property damage caused by a failure to provide an adequate supply of gas, water, electricity or services as described in subsection (a) of this section.

Wyo. Stat. Ann. § 1-39-109. Liability; medical facilities

A governmental entity is liable for damages resulting from bodily injury, wrongful death or property damage caused by the negligence of public employees while acting

within the scope of their duties in the operation of any public hospital or in providing public outpatient health care.

Wyo. Stat. Ann. § 1-39-110. Liability; health care providers

(a) A governmental entity is liable for damages resulting from bodily injury, wrongful death or property damage caused by the negligence of health care providers who are employees of the governmental entity, including contract physicians who are providing a service for state institutions, while acting within the scope of their duties.

(b) Notwithstanding W.S. 1-39-118(a), for claims under this section against a physician employed by the state of Wyoming based upon an act, error or omission occurring on or after May 1, 1988, the liability of the state shall not exceed the sum of one million dollars (\$1,000,000.00) to any claimant for any number of claims arising out of a single transaction or occurrence nor exceed the sum of one million dollars (\$1,000,000.00) for all claims of all claimants arising out of a single transaction or occurrence.

Wyo. Stat. Ann. § 1-39-112. Liability; peace officers.

A governmental entity is liable for damages resulting from tortious conduct of peace officers while acting within the scope of their duties.

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**BRIEF FOR AMICUS CURIAE
AMERICAN INTELLECTUAL PROPERTY LAW
ASSOCIATION SUPPORTING AFFIRMANCE OF
THE FEDERAL CIRCUIT'S ORDER**

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INTEREST OF THE AMICUS CURIAE¹

The American Intellectual Property Law Association ("AIPLA") is a national association of approximately 10,000 members who are primarily attorneys with interests and practices in the areas of patent, copyright, trademark, trade secret, and other intellectual property law. AIPLA attorneys are employed by private law firms, corporations, universities, and governments, and represent both owners and users of intellectual property. Unlike many other areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most, if not all, intellectual property law attorneys represent both intellectual property owners and alleged infringers.

The AIPLA has no stake in the parties to this litigation or the result of this case. It is, however, deeply concerned about the possibility that the Federal Circuit's decision might be reversed. Such a reversal would immediately immunize every state and every state subdivision and agency from any suit brought under the patent laws, allowing the widespread infringement of valid patents with virtual impunity,

¹ Pursuant to Rule 37.3, the parties have consented to the filing of this brief. Their letters of consent have been filed with the Clerk of the Court.

Pursuant to Rule 37.6, *amicus curiae* states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the *amicus curiae* or its counsel.

thereby substantially ending the uniform applicability of our Nation's patent system.

The interests of those in the scientific and business communities represented by our members would be directly and adversely affected if this Court were to find that states are now immune from patent infringement suits. Therefore, for the reasons set forth in this brief, the AIPLA respectfully requests that this Court affirm the Federal Circuit's decision.

SUMMARY OF THE ARGUMENT

Reversal of the Federal Circuit's decision would upset the United States' patent system. States, even those that actively participate in that system, could continue to reap the many benefits of federal patent protection, while avoiding all liability for their infringement of the patent rights of others.

The states, including Florida, own and enforce thousands of patents and frequently license them to raise revenue. Moreover, the individual states often contract to use the intellectual property rights of others. Immunizing the states from claims for patent infringement would therefore not only be unjust; it would destroy a patent owner's ability to protect patent rights against infringement by the states.

If this Court reverses the Federal Circuit's decision, every one of the fifty states, and every of the thousands of state subdivisions and agencies, would immediately be granted the freedom to infringe patents,

subject only to whatever redress, if any, the states may see fit to offer. The consequences would be felt nationwide and internationally, as the valuable rights of both American and foreign patentees could be nullified by the caprices of any state or state agency.

Fortunately, there is no sovereign immunity in this case, and such disorder need not occur. There are at least two separate and distinct bases for the exercise of jurisdiction over Florida in this case. First, the Fourteenth Amendment empowers Congress to abrogate states' immunity where necessary to protect constitutionally guaranteed property rights. Because a patent is a classic property right, Congress' enactment of the Patent and Plant Variety Protection Remedy Clarification Act (the "Act"), 35 U.S.C. § 296 (1994), properly abrogated any immunity the states may have had from liability for patent infringement. Second, sovereign immunity is a privilege that each state may waive. Here, Florida has voluntarily waived its sovereign immunity by its extremely active participation in our Nation's patent system.

This Court's decision in *Seminole Tribe v. Florida*, 517 U.S. 44, 116 S. Ct. 1114 (1996), should have no effect on the question raised here. To find abrogation of Florida's sovereign immunity, the Federal Circuit here did not rely upon the "plan of the convention" theory expressly overruled by *Seminole Tribe*. Rather, the Federal Circuit relied upon the power

granted to Congress by Section 5 of the Fourteenth Amendment, a power confirmed by *Seminole Tribe*. Accordingly, this Court should affirm the Federal Circuit's decision.

ARGUMENT

I

CONGRESS' ENACTMENT OF 35 U.S.C. § 296 VALIDLY ABROGATED STATES' IMMUNITY FROM PATENT SUITS

In *Seminole Tribe*, this Court established a two-part test for identifying the circumstances under which Congress can abrogate a state's Eleventh Amendment immunity.² A statute validly abrogates that immunity where Congress: (1) "unequivocally expressed its intent to abrogate the immunity," and (2) "has acted pursuant to a valid exercise of power." *Seminole Tribe*, 116 S. Ct. at 1123. Congress satisfied both requirements in passing the Act.

A. CONGRESS UNEQUIVOCALLY EXPRESSED ITS INTENT TO ABROGATE STATES' IMMUNITY

Florida concedes that the Congress stated its intent to abrogate immunity with unmistakable clarity.

² The Eleventh Amendment provides: "The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." U.S. Const. amend. XI.

Pet'r Br. at 15; See 35 U.S.C. § 296(a). The Act thus readily satisfies the first prong of the *Seminole Tribe* test.

B. THE FEDERAL CIRCUIT CORRECTLY FOUND THAT THE ACT CONSTITUTES A VALID EXERCISE OF FOURTEENTH AMENDMENT POWER

The Act meets the second prong of the *Seminole Tribe* test if Congress enacted it, "pursuant to a valid exercise of power." Because Congress passed the Act pursuant to Section 5 of the Fourteenth Amendment, the Act satisfies the second prong of the *Seminole Tribe* test.

Section 1 of the Fourteenth Amendment provides that, "[n]o State shall . . . deprive any person of life, liberty, or property, without due process of law" U.S. Const. amend. XIV, § 1. Section 5 of the Fourteenth Amendment empowers Congress to "enforce, by appropriate legislation, the provisions" of the amendment. U.S. Const. amend. XIV, § 5.

In *Seminole Tribe*, this Court confirmed its holding in *Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976), that Section 5 of the Fourteenth Amendment necessarily authorizes Congress to abrogate Eleventh Amendment immunity. The Court stated,

[T]hrough the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment

and therefore . . . § 5 of the Fourteenth Amendment allowed Congress to abrogate the immunity from suit guaranteed by that Amendment.

Seminole Tribe, 116 S. Ct. at 1125; see *Fitzpatrick*, 427 U.S. at 456 (Section 5 may "provide for private suits against States or state officials which are constitutionally impermissible in other contexts.").

Thus, the Act satisfies *Seminole Tribe* if it is "appropriate legislation" to enforce a Fourteenth Amendment right. As this Court held in *Katzenbach v. Morgan*, 384 U.S. 641 (1966), whether legislation is "appropriate" under Section 5 depends on:

[1] whether [the statute] may be regarded as an enactment to enforce the [Fourteenth Amendment], [2] whether it is "plainly adapted to that end" and [3] whether it is not prohibited by but is consistent with the "letter and spirit of the Constitution."

Katzenbach, 384 U.S. at 651 (quoting *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 421 (1816)). The Act satisfies each condition required by *Katzenbach*.

1. **35 U.S.C. § 296 IS AN ENACTMENT TO PREVENT STATE DEPRIVATION OF PROPERTY UNDER THE FOURTEENTH AMENDMENT**

Section 1 of the Fourteenth Amendment prohibits states from depriving citizens of property. Section 5 of the Fourteenth Amendment grants Congress the authority to "enforce, by appropriate legislation," the rights guaranteed by the Fourteenth Amendment, including the prohibition on state deprivations of property. Patents are property. Thus, the Act, which makes states subject to suits for patent infringement, is legislation to enforce the Fourteenth Amendment.

Indeed, patents possess all attributes of personal property. They are assigned, licensed, mortgaged, and otherwise hypothecated. Their transfers and encumbrances are recorded. 35 U.S.C. § 261 ¶ 4. They are treated as property by the bankruptcy laws (*e.g.*, 11 U.S.C. § 101(35A); 11 U.S.C. § 365(n)) and the tax laws (*e.g.*, 26 U.S.C. § 1235(a)).

As stated by the Federal Circuit, "[i]t is, of course, beyond cavil that the patent owned by College Savings is property." *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1349 (Fed. Cir. 1998). This Court has reached the same conclusion on several occasions. See *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415 (1945) ("That a patent is property, protected against appropriation both by individuals and by government, has long been settled."); *Consolidated Fruit-Jar Co. v.*

Wright, 94 U.S. 92, 96 (1877) ("A patent for an invention is as much property as a patent for land."); *James v. Campbell*, 104 U.S. 356, 357-58 (1882) (the infringement of a patent by a state is a "taking" under the Fourteenth Amendment). Even at the time of the ratification of the Fourteenth Amendment, patents were understood to be property. See *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 197 (1857) ("For, by the laws of the United States, the rights of a party under a patent are his private property").

In arguing for the reversal of the Federal Circuit's decision, Florida does not dispute that patents are property. Nor does it appear to dispute that the Fourteenth Amendment empowers Congress to enact "appropriate legislation" to prevent the deprivation of property. Instead, it argues that because patents are created by Article I, the Fourteenth Amendment does not empower Congress to abrogate Eleventh Amendment immunity to protect them. Pet'r Br. at 17.

That argument fails on many levels. To the extent it contends that the Fourteenth Amendment excludes property described in Article I, it simply ignores the plain language of the Fourteenth Amendment. The Fourteenth Amendment clearly and unambiguously prohibits state deprivations of *all* property. Indeed, if the Fourteenth Amendment did not protect property described in Article I, a state could freely deprive citizens of *money*, as well as patents, since Congress' power to coin money also arises from Article I. U.S. Const. art. I, § 8, cl. 5.

The argument that Congress might one day create an ersatz property right in an attempt to avoid the Eleventh Amendment is similarly unavailing. Pet'r Br. at 18-19 (citing the panel opinion in *Chavez v. Arte Publico Press*, 157 F.3d 282, 289 (5th Cir.), *reh'g in banc granted* (Oct. 1, 1998)). Regardless of what legislation a future Congress might hypothetically enact, the genuineness of a patent's status as property remains unquestioned.

The argument of amicus Regents of the University of California ("UC") is even less availing. UC asserts that patents are not property because the only right conferred by a patent is the right to exclude others from making, using, or selling a patented invention, with no right of self-help. UC Br. at 6. As pejoratively stated by UC: "At its essence, an inventor's 'property right' in a patent is the right to bring suit, and that is all it is." *Id.* Of course, *all* property rights, including every form of real and personal property, reduce to the right to exclude others, enforceable by suit. Thus, UC's own argument clarifies that patents are indistinguishable from other forms of property, and actually confirms that the Act is legislation to enforce a Fourteenth Amendment right.

**2. 35 U.S.C. § 296 IS PLAINLY ADAPTED
TO THE ENFORCEMENT OF THE
FOURTEENTH AMENDMENT**

That the Act is "plainly adapted" to the enforcement of a Fourteenth Amendment right is equally evident. Congress' express purpose in passing

the Act was to "protect the property rights of patent . . . holders." S. Rep. No. 102-280, at 8, 1992 U.S.C.C.A.N. 3087. In introducing the legislation, Senator De Concini stressed that, "States continue to take advantage of the sovereign immunity loophole that remains in the Patent Code." 137 Cong. Rec. S4046 (daily ed. Mar. 21, 1991).

The provisions of the Act directly address that purpose. First, the Act provides that states shall not be immune from suits in federal court for patent infringement. 35 U.S.C. § 296(a). Second, the Act makes states subject to the same patent law remedies — damages, attorney fees, interest, costs, and treble damages — as private infringers. See 35 U.S.C. § 296(b).

Congress recognized that only by subjecting the states to the same patent laws and remedies applied to private entities could it protect patent rights. With immunity, states possessed a "loophole" allowing them to ignore patent rights. Congress even recognized that, if patentees did not have access to remedies such as attorneys' fees, their "ability to obtain full and equitable compensation" would be diminished, and states would be "more likely to force litigation rather than seek reasonable settlements." S. Rep. No. 102-280, at 18. The Act closed the immunity loophole to protect the property rights of patent holders, and therefore is "plainly adapted" to enforce property rights as required by the Supreme Court in *Katzenbach*.

Understandably, Florida and amici supporting its position assert numerous arguments in an attempt to overturn this analysis. They assert that the Act is unconstitutional because patent infringement suits against states have been too few; because the burden of such suits would be too great (an argument that appears to be inconsistent with their observation on the scarcity of suits); because the Act does not employ the "least intrusive" means to achieve the Congressional goal; because the Act applies to states that might provide some remedy of their own for patent infringement; and because College Savings has not exhausted its state remedies, whatever they might be. As will be shown below, all of these arguments are meritless.

**a. CONGRESS NEED NOT WAIT
UNTIL CONSTITUTIONAL
VIOLATIONS ARE WIDESPREAD
BEFORE ACTING UNDER
SECTION 5**

Florida observes that, in many of the cases cited by this Court in *City of Boerne*, there were widespread violations of the Fourteenth Amendment prior to the enactment of Section 5 legislation. Pet'r Br. at 22.

The Fourteenth Amendment and this Court's jurisprudence do not require evidence of unconstitutional conduct before Congress may enact appropriate legislation. Congressional enactments are constitutional which "remedy or prevent unconstitutional actions." *City of Boerne v. Flores*, 521 U.S. 507, 117 S. Ct. 2157, 2164 (1997) (emphasis added). There is no

requirement of any quantum of violation, only that Congressional action be directed to state action that has "a significant likelihood of being unconstitutional." 117 S. Ct. at 2170.

Moreover, Florida's contention that Congress possessed "no evidence" of state unconstitutional conduct before passing the Act is simply incorrect. Congress was keenly aware that states had begun successfully asserting Eleventh Amendment immunity as a defense to intellectual property claims, including patent claims. *See Patent Remedy Clarification Act: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary*, 101st Cong., 48-50 (1990) (statement of William S. Thompson, president, American Intellectual Property Law Association) (citing *Lane v. First Nat'l Bank of Boston*, 687 F. Supp. 11 (D. Mass. 1988), *aff'd*, 871 F.2d 166 (1st Cir. 1989)); *BV Eng'g v. UCLA*, 657 F. Supp. 1246 (C.D. Cal. 1987), *aff'd*, 858 F.2d 1394 (9th Cir. 1988); *Richard Anderson Photography v. Radford Univ.*, 633 F. Supp. 1154 (W.D. Va. 1986), *aff'd in part and rev'd in part, remanded*, 852 F.2d 114 (4th Cir. 1988); *Chew v. California*, 11 U.S.P.Q.2d (BNA) 1159 (E.D. Cal. 1988), *aff'd*, 893 F.2d 331 (Fed. Cir. 1990).

Florida, in addition, observes that the Federal Circuit cited to only eight reported cases in which states were named as defendants in patent infringement actions, and implies that the number somehow places the constitutionality of the Act in doubt. Pet'r Br. at

26-27. The low number of such reported cases, however, is simply a reflection of the fact that, for most of the history of the republic, states did not question their responsibility to comply with the patent laws.

Once Congress became aware that states were beginning to assert immunity, it moved quickly to prevent further violation of the Fourteenth Amendment. This understanding is evident from testimony in the Congressional record. As stated by this amicus, the AIPLA, before Congress,

[S]tates are willing and able to respect patent rights. The fact that there are so few reported cases involving patent infringement claims against states underlines the point.

The attitude of states towards patents exists in circumstances in which . . . states understood they are legally responsible for infringement. . . . Our fear is that if current legal immunity continues, states will begin to disregard, perhaps carelessly, patent rights, and perhaps in time to knowingly infringe patent rights.

Patent Remedy Clarification Act: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary, 101st Cong., 56-57 (1990) (statement of

William S. Thompson, president, American Intellectual Property Law Association).

b. THE SMALL NUMBER OF SUITS PROVES THAT THE ACT DOES NOT UNDULY BURDEN THE STATES

The number of patent infringement cases filed against states belies the contention that the Act is unconstitutional because it, "imposes a heavy litigation burden on states." Pet'r Br. at 36. The fact that states have seldom found themselves defendants in patent infringement litigation demonstrates that states' alarm over an "immense" impact on the states is hyperbole.

The small number of suits also demonstrates that states' concern over exposure to patent law remedies such as treble damages and attorneys' fees are unfounded. Although the availability of both remedies is crucial to protect patentees and prevent infringement, they are only available in extreme cases. A patentee may recover treble damages only in cases of willful infringement. See, e.g., *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268 (Fed. Cir. 1985). Attorneys' fees are available only in exceptional cases. 35 U.S.C. § 285. In the absence of Eleventh Amendment immunity, there is simply no reason to believe that state infringement of patents would become widespread, or that any state would willfully infringe a patent. Thus, no aspect of the Act would impose a substantial burden on the states, let alone an unconstitutional burden.

c. SECTION 5 DOES NOT LIMIT CONGRESS TO THE LEAST INTRUSIVE LEGISLATION POSSIBLE

The Fourteenth Amendment does not require that Section 5 legislation be the least intrusive possible; it requires only that such legislation be *appropriate*. See *City of Boerne*, 117 S. Ct. at 2163 ("Whatever legislation is appropriate, that is, adapted to carry out the objects the amendments have in view, whatever tends to enforce submission to the prohibitions they contain . . . if not prohibited, is brought within the domain of congressional power") (quoting *Ex parte Virginia*, 100 U.S. 339, 345-46 (1879)).

d. SECTION 5 LEGISLATION IS NOT LIMITED TO STATES THAT OFFER NO OTHER POSSIBLE REMEDY

There is no requirement that Section 5 legislation affect only state action that is itself unconstitutional. As stated by this Court in *City of Boerne*,

Legislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional

117 S. Ct. at 2163 (citing *Fitzpatrick v. Bitzer*, 427 U.S. 445, 455 (1976)). Here, there is no doubt that the Act

deters and remedies constitutional violations, *i.e.*, state deprivation of patent property rights. Accordingly, the Act satisfies the requirements of the Fourteenth Amendment as stated by this Court in *City of Boerne*.

However, even if the Fourteenth Amendment did require that Section 5 legislation apply only to constitutional violations, it is by no means certain that Florida provides mechanisms for redress that meet the requirements of due process. Florida observes that College Savings "*arguably* can pursue an action in federal court for injunctive relief under the authority of *Ex parte Young*." Pet'r Br. at 27 (emphasis supplied). Similarly, amici States of Ohio, Alabama, California, et al. ("SOAC") equivocate on the question of whether any state has obligated itself to provide a remedy for patent infringement at all. Their amici brief tellingly opines: "it may well be true that States have the sovereign right to remain immune from suit in both state and federal court" SOAC Br. at 3.

Florida also notes that it has a process by which any claimant, including an aggrieved patentee, "may seek to have a claim bill filed in the state legislature to provide money damages," citing to Fla. Stat. § 11.065. Pet'r Br. at 27. Although Florida's legislature might well provide due process in response to such a claim, the statute cited by Florida does no more than require that claims be brought within four years, and that any relief granted be for "payment in full." Fla. Stat. § 11.065. The statute describes no process whatsoever by which the legislature might address the claim bill — let alone constitutionally mandated due process.

Similarly, Florida asserts that patentees could simply assert state law claims in state court for redress for patent infringement. However, 28 U.S.C. § 1338 vests jurisdiction for such claims *exclusively* in the federal courts. See *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 1037 (1999); *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476 (Fed. Cir. 1993). Under these circumstances, a patentee can hardly rely on state law claims as a means to protect its Fourteenth Amendment rights.

Indeed, Florida suggests in effect that Congress must perform an analysis of procedures offered by each state to redress Fourteenth Amendment violations prior to enacting legislation pursuant to Section 5, or that courts must perform an analysis of the procedures of a particular state prior to applying Section 5 legislation. Pet'r Br. at 31. Based on the then-offered procedures, Congress would have to draft legislation, or courts would have to selectively apply the legislation, such that it was custom-tailored for each of the 50 states. As stated by the Federal Circuit,

We do not read the precedent to permit abrogation of the state's immunity only in those instances in which a state provides no due process in its own courts to redress the alleged misconduct. We also do not read the precedent to require Congress to customize statutes enacted under the Fourteenth Amendment to take account of such variations as may exist

among the states in remedies offered for alleged infringement of patents.

College Sav. Bank, 148 F.3d at 1351. Simply put, neither the Fourteenth Amendment nor any other authority require that state-by-state balkanization of our federal patent laws.

e. **THE EXHAUSTION OF STATE LAW
REMEDIES DOCTRINE IS
COMPLETELY INAPPOSITE**

Florida argues that "patentees should be required to exhaust the available state law remedies before any due process violation can be found." Pet'r Br. at 29. Here, Florida has completely missed the mark. The issue before this Court is not whether a *patentee* can bring suit in federal court for a constitutional violation, rather whether *Congress* can enact legislation pursuant to the Fourteenth Amendment. Clearly, it can.

3. **THE ACT IS CONSISTENT WITH THE
LETTER AND SPIRIT OF THE
CONSTITUTION**

The Act satisfies the third element of the Supreme Court's *Katzenbach* test if consistent with the letter and spirit of the Constitution. No inconsistency is present. Indeed, the Act furthers Congress' constitutional mandate to:

promote the Progress of Science and
useful Arts, by securing for limited

Times to Authors and Inventors the
exclusive Right to their respective
Writings and Discoveries

U.S. Const. art. I, § 8, cl. 8 (emphasis added).

Congress enacted the patent laws pursuant to this constitutional provision. Suits against states for patent infringement promotes the progress of the useful arts just as do suits against individuals. Therefore, the Act is completely consistent with the letter and spirit of the Constitution as required by the *Katzenbach* case.

II
**FLORIDA HAS WAIVED ITS
SOVEREIGN IMMUNITY**

Even if Congress had not abrogated Florida's immunity by passing the Act, by *voluntarily* choosing to enforce its patent rights, Florida waived any immunity it may have had from patent litigation. *Parden v. Terminal Ry. of Ala. State Docks Dep't*, 377 U.S. 184 (1964). The district court, incorrectly believing that this Court's decisions in *Welch v. Texas Dep't of Highways and Pub. Transp.*, 483 U.S. 468 (1987), and *Seminole Tribe* overruled *Parden*, ruled that Florida had not waived its immunity here. The Federal Circuit, finding that the Act validly abrogated Florida's immunity, never reached the question of waiver. Waiver, however, does

provide an additional basis for affirmance of the Federal Circuit's decision.³

A. FLORIDA CANNOT ENFORCE ITS PATENTS AND BE IMMUNE FROM PATENT SUITS

Florida is an active and deliberate participant in the federal patent system. Through the University of Florida alone, it holds well over 100 unexpired patents, and through Florida State University, it holds well over another 50 unexpired patents. Florida specifically authorizes its public universities to obtain patents, license them, *and to sue for infringement*. Florida law specifically provides:

[E]ach university is authorized, in its own name, to:

(1) Perform all things necessary to secure letters of patent . . . *and to enforce its rights therein*. . . .

(2) License, lease, assign, or otherwise give written consent to any person, firm, or corporation for the manufacture or use thereof, on a royalty basis or for such

³ The question presented on this Petition may not appear fairly to include the issue of waiver. See Sup. Ct. R. 14.1. However, in view of this Court's grant of the Petition of Respondent in No. 98-149, in which the issue of waiver was specifically raised, it appears that this Court could and may address waiver in both cases.

other consideration as the university shall deem proper.

(3) *Take any action necessary, including legal action, to protect the same against improper or unlawful use or infringement.*

(4) Enforce the collection of any sums due the university for the manufacture or use thereof by any other party.

Fla. Stat. § 240.229 (emphasis added).

Florida has *voluntarily* chosen to receive *the benefits* of a federally created system governing certain intellectual property, and has, accordingly, impliedly agreed to assume *the burdens* of that same system.

B. THIS COURT HAS NOT OVERRULED THE PARDEN WAIVER DOCTRINE

In *Parden*, this Court ruled that Alabama waived its Eleventh Amendment immunity from suit under the Federal Employers' Liability Act by operating a railroad with knowledge that federal law regulates railroad operation. Here, Florida knowingly and actively participated in the patent law system, and thus waived its immunity from suits under the patent laws.

The district court's belief that this Court's decisions in *Welch* and *Seminole Tribe* overruled

Parden was simply mistaken. *Welch* merely stated that Congress must "express[] in unmistakable statutory language its intention to allow States to be sued in federal court. . . ." *Welch*, 483 U.S. at 475. No such question is raised with respect to the patent laws. That the Act unmistakably expresses Congress' intent to allow states to be sued in federal court is beyond dispute.

Similarly, *Seminole Tribe* pertains only to waivers that are implied solely from the states' ratification of the Constitution. As the district court correctly held, this so-called "plan of the convention" theory of sovereign immunity waiver is not the law. This Court in *Seminole Tribe* thus expressly overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), in which the Court applied the plan-of-convention theory.

But this Court did not overrule *Parden* and the waiver theory sanctioned by that case. Rather, it referred to *Parden* as a "case holding the unremarkable, and completely *unrelated*, proposition that the States may waive their sovereign immunity." *Seminole Tribe*, 116 S. Ct. at 1128 (emphasis added). In *Seminole Tribe*, it was "undisputed that Florida has not consented to the suit." *Id.* at 1123. *Seminole Tribe* is therefore inapposite to the questions of actual voluntary waiver, like that of Florida in this case.

Seminole Tribe involved the Indian Gaming Regulatory Act. That act "imposes upon the States a duty to negotiate in good faith. . . ." 25 U.S.C.

§ 2710(d)(3)(A); *see* 116 S. Ct. at 1119-20. In *Seminole Tribe*, Florida had no choice whatsoever concerning its participation in that federal scheme. Florida here, in contrast, has made many choices that prove it voluntarily consented to operate within the federal scheme governing our patent laws. Accordingly, it must be deemed to have waived its sovereign immunity from patent infringement suits.

CONCLUSION

For the foregoing reasons, the AIPLA respectfully submits that the Federal Circuit correctly found jurisdiction over the State of Florida in this case. This jurisdiction exists despite Florida's claim of sovereign immunity and the Supreme Court's decision

in *Seminole Tribe*. Accordingly, this Court should affirm the denial of Florida's motion to dismiss the claim for patent infringement.

Respectfully submitted,

March 22, 1999

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MAR 24 1999

CLERK

IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,
Petitioner,

v.

COLLEGE SAVINGS BANK AND
THE UNITED STATES OF AMERICA,
Respondents.

On Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

**BRIEF AMICI CURIAE OF THE AMERICAN SOCIETY
OF COMPOSERS, AUTHORS, AND PUBLISHERS;
BROADCAST MUSIC INC.; THE BUSINESS
SOFTWARE ALLIANCE; THE MOTION PICTURE
ASSOCIATION OF AMERICA; THE RECORDING
INDUSTRY ASSOCIATION OF AMERICA;
AND REED ELSEVIER INC.
IN SUPPORT OF RESPONDENTS**

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Society of Composers,
Authors, And Publishers;
Broadcast Music Inc.; The
Business Software Alliance;
The Motion Picture
Association of America;
The Recording Industry
Association of America;
And Reed Elsevier Inc.
As Amici Curiae

* Counsel of Record

QUESTION PRESENTED

Did Congress have power under section 5 of the Fourteenth Amendment to abrogate the states' Eleventh Amendment immunity and make them amenable to suit in federal court for claims of patent infringement when enacting section 2 of the Patent and Plant Variety Protection Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), 35 U.S.C. §§ 271(h), 296(a)?

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1998

No. 98-531

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

v. *Petitioner,*

COLLEGE SAVINGS BANK AND
THE UNITED STATES OF AMERICA,
Respondents.

On Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

BRIEF AMICI CURIAE OF THE AMERICAN SOCIETY
OF COMPOSERS, AUTHORS, AND PUBLISHERS;
BROADCAST MUSIC INC.; THE BUSINESS
SOFTWARE ALLIANCE; THE MOTION PICTURE
ASSOCIATION OF AMERICA; THE RECORDING
INDUSTRY ASSOCIATION OF AMERICA;
AND REED ELSEVIER INC.
IN SUPPORT OF RESPONDENTS

Amici respectfully submits this brief of amici curiae in support of respondents in this case. Petitioner and both respondents have consented to the filing of this brief. Correspondence reflecting the parties' consent has been lodged with the clerk.

INTEREST OF AMICI¹

Amici file this brief to underscore the potential implications of the Court's disposition of the instant case for

¹ Pursuant to Rule 37.6, *amici* state no counsel for any petitioner or respondent authored this brief in whole or in part. No person

copyright owners. *Amici* consist of five membership organizations—the American Society of Composers, Authors and Publishers (“ASCAP”); Broadcast Music, Inc. (“BMI”); the Business Software Alliance (“BSA”); the Motion Picture Association of America (“MPAA”); the Recording Industry Association of America (“RIAA”); and Reed Elsevier Inc.²

Copyrights form the core of *amici*’s business and thus *amici* have a substantial interest in protecting their copyrights against infringements. *Amici* market copies—or license the public performance—of literally millions of copyrighted works, often to States and their instrumentalities. These entities make extensive use of these materials as well as the works of countless other copyright owners.³

or entity other than *amici* made a monetary contribution to the preparation or submission of this brief.

² References to *amici* refer both to the members of the five membership organizations and Reed Elsevier Inc.’s various copyright-laden operations. A brief description of each *amicus* appears in Appendix A.

³ In her testimony before the House Judiciary Committee’s Subcommittee on Courts, Intellectual Property and the Administration of Justice, Barbara Ringer, former Register of Copyrights, described the breadth of state usage of copyrighted materials:

States and their instrumentalities are major users of copyrighted material of all sorts—not only the familiar forms of printed books and periodicals but the whole range of creative expression in the 1980’s: dance and drama, music and sound records; photographs and filmstrips; motion pictures and video recordings; computer software and chips; pictorial and graphic material, maps and architectural plans, and so forth, ad infinitum. State exploitation of copyrighted works is by no means limited to uses that can be called educational or non-profit. They include large publishing enterprises, computer networks, off-air taping, public performance and display, radio and television broadcasting, and cable transmissions, to name only the most obvious.

Copyright Remedy Clarification Act: Hearings on H.R. 1131 Before the Subcomm. on Courts, Intellectual Property and the Admin.

Since 1996, ASCAP, BMI, BSA, MPAA and RIAA have joined together as *amici* in *Chavez v. Arte Publico Press*, 157 F.3d 282 (5th Cir. 1998), *reh’g en banc granted* (Oct. 1, 1998), and have argued that the Copyright Remedy Clarification Act⁴ is constitutional. When this Court granted the writ of certiorari in the instant case, the Fifth Circuit ordered that *Chavez* be “held in abeyance” pending action in this case and its false advertising companion, *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 131 F.3d 353 (3d Cir. 1997), *cert. granted*, 119 S. Ct. 790 (Jan. 8, 1999) (No. 98-149).⁵ *Amici* believe that a decision by this Court that the Patent and Plant Variety Remedy Clarification Act (the “Patent Remedy Act”) is unconstitutional could lead the Fifth Circuit in *Chavez* to strike down the Copyright Remedy Act—a result that would substantially and adversely affect *amici*’s interests. Congress’ power to create patents and copyrights emanates from the same constitutional clause—Article I, section 8, clause 8—and the language in the two Remedy Acts is virtually identical. As a result, the arguments relied upon by the Federal Circuit in sustaining the Patent Remedy Act closely resemble those that would support the Copyright Remedy Act.

Amici fear that the Court’s decision here could ultimately return them—via the *Chavez* case—to the legal

of Justice of the House Comm. on the Judiciary, 101st Cong. 93 (1989) (statement of Barbara Ringer).

⁴ Pub. L. No. 101-553, 104 Stat. 2749 (1990) (“the Copyright Remedy Act”).

⁵ Letter from Charles R. Fulbuge III, Clerk, United States Court of Appeals for the Fifth Circuit, to counsel in *Denise Chavez v. Arte Publico Press, et al.* (No. 93-2881) (January 14, 1999). Prior to this action, the Fifth Circuit had scheduled a hearing *en banc* in *Chavez* during the week of January 18, 1999. Obviously, the Fifth Circuit is awaiting guidance from this Court before resuming its consideration of *Chavez*.

quagmire that existed a decade ago. When Congress enacted the Copyright Remedy Act in 1990, it determined that because federal courts have *exclusive* jurisdiction over copyright infringement suits, their decisions immunizing states and their instrumentalities from damage awards effectively left copyright owners with a right but no adequate remedies against state infringers.⁶ H.R. Rep. No. 101-282, at 8 (1989). Moreover, Congress also knew that the broad language of 17 U.S.C. § 301, designed to ensure uniform application of the copyright law, severely limited the availability of any state remedies by copyright owners.⁷ That provision expressly preempts

⁶ In 1987, the House Judiciary Committee's Subcommittee on Courts, Civil Liberties, and the Administration of Justice requested that the Copyright Office examine the enforcement of copyright against state governments. Register of Copyrights, Copyright Liability of States and the Eleventh Amendment (1988). That report noted that those who filed comments with the Office "almost unanimously chronicled dire financial and other repercussions that would flow from state Eleventh Amendment immunity for damages in copyright infringement suits." *Id.* at iii; see also, e.g., *id.* at 8 (describing unauthorized state copying and distribution of nursing materials). The Copyright Office concluded that "copyright owners have demonstrated that they will suffer immediate harm if they are unable to sue infringing states in federal court for money damages." *Id.* at vii. The Senate Judiciary Committee agreed with that assessment and declared that "[s]tate immunity from damages critically impairs creative incentives and business investments in the country's copyright businesses that deal with State entities." S. Rep. No. 101-305, at 9 (1989).

⁷ When it enacted what is now 17 U.S.C. § 301, Congress expressly intended to create a uniform system of copyright protection and foresaw two benefits of particular relevance flowing from such a system: (1) avoiding the practical difficulties of enforcing an author's right under potentially different regimes in every state, particularly when "the methods of dissemination of an author's work are incomparably broader and faster than they were in 1789, national uniformity is even more essential than it was then to carry out the Constitutional intent," H.R. Rep. No. 94-1476, at 129 (1976); and (2) aiding the United States in international copyright negotiations. *Id.* at 130. Uniformity served as the primary motivator behind the first major revision of the copyright law in 67

"all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright," 17 U.S.C. § 301(a), and is commonly understood to preempt state causes of action wherein the gravamen of the complaint consists of wrongful copying. See, e.g., *Berge v. Board of Trustees of the Univ. of Ala.*, 104 F.3d 1453, 1462-63 (4th Cir. 1996) (finding a state law claim for conversion of copyright preempted by section 301); Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 1.01[b][1] (1998). Without the shield of the Copyright Remedy Act, the broad reach of section 301 may lock *amici* out of the judicial system altogether in certain cases.⁸

Furthermore, Congress concluded that Eleventh Amendment immunity created an arbitrary and unfair legal situation that permitted states to operate under two sets of rules—one when they own copyrights⁹ and another

years. Patent law, in contrast, contains no express provision and relies instead on an inquiry into whether Congress has intended to preempt a given field of endeavor. See *Bonito Boats v. Thunder Craft, Inc.*, 489 U.S. 141 (1989).

⁸ These same concerns over uniformity led to Congress' express rejection of granting states concurrent jurisdiction over copyright cases. See H.R. Rep. No. 101-282, at 9 (noting how "[c]oncurrent jurisdiction creates the potential for differing standards and results"). Moreover, even if Congress wanted to grant states concurrent jurisdiction, the effectiveness of doing so is now open to doubt. See *Alden v. State*, 715 A.2d 172 (Me. 1998), *cert. granted*, 119 S. Ct. 443 (Nov. 9, 1998) (holding that sovereign immunity prevents states from being sued in their own courts with respect to cases arising under federal law). If applied to the Copyright Remedy Clarification Act, this decision would mean that infringing states could not be sued in their courts—even if Congress amended federal law to allow copyright suits to be brought concurrently in federal and state fora.

⁹ The Senate Judiciary Committee Report noted that, according to a Copyright Office survey, almost half a century ago (between 1950-54), states or state agencies registered about 4700 copyright claims. S. Rep. No. 101-305, at 6 n.3 (1990). A review of the

when they use the copyrighted works of others. As copyright owners, states could avail themselves of the entire arsenal of remedies available under the Copyright Act when their works were infringed, but those copyright owners who were victimized by state infringements were limited to seeking only prospective injunctive relief under *Ex parte Young*, 209 U.S. 123 (1908)—a result that deeply troubled Congress.¹⁰

Although the reasons that motivated *amici* in 1990 to support congressional passage of the Copyright Remedy Act remain equally valid today,¹¹ technological developments have greatly increased the importance of enacting a law that successfully abrogates state immunity from damages in copyright infringement suits. This Court itself recently noted that the online environment known as the internet provides “a vast platform from which to address and hear from a world-wide audience of millions of readers,

Copyright Office’s registrations conducted during the *Chavez* litigation covering the period from 1976-96 reveals that, for example, the State of Texas—including *inter alios*, the Secretary of State, the University of Texas at Austin, the University of Texas at Arlington, and the University of Houston (including the Blaffer Gallery)—has registered several hundred copyrights. Moreover, the States own innumerable copyrighted works that they may exploit without registration.

¹⁰ The legislative history of the Copyright Remedy Act is replete with criticisms of the effectiveness of injunctions in this context. See, e.g., S. Rep. No. 101-305, at 12 (“Injunctive relief for copyright owners does not provide adequate compensation or effective deterrence for copyright infringement. . . . Injunctions only prohibit future infringements and cannot provide compensation for violations that have already occurred.”); see also H.R. Rep. No. 101-282, at 8 (“Injunctive relief is often obtained only at great cost. It deters only future conduct, and does not compensate for past harm.”).

¹¹ To help keep these state markets secure from piracy, several *amici* participated in the Copyright Remedies Coalition, an ad hoc group that successfully sought enactment of the Copyright Remedy Act.

viewers, researchers and buyers.” *Reno v. American Civil Liberties Union*, 521 U.S. 844, 886 (1997). From the copyright owner’s perspective, however, this digital marketplace of ideas and information also has a dark side. Given the state of technology, copyrighted works, patented software, and other information-based products could have their market values obliterated in a matter of hours.

Injunctions under the doctrine of *Ex Parte Young* provide a wholly inadequate remedy in this context. Once a textbook or computer program becomes available on an open network, injunctions amount to “closing the barn door after the horses have run away.” S. Rep. No. 101-305, at 8 (1990). Reversal of the Federal Circuit’s decision would effectively give every state actor “one free infringement,” which is all that is necessary to destroy the market value of a work. The so-called digital revolution has caused policy makers around the world to devote much time and effort to ensuring that copyright laws and treaties keep pace so that property rights are not overwhelmed and the incentives to create new works are not eviscerated.¹²

These technological developments make it critical that the copyright laws must be fully enforceable against all infringers, including states. There is, of course, little incentive for the States to negotiate license fees when they can simply take what they want and, at most, face a

¹² In light of the threat posed to copyright owners by digital technology, Congress recently enacted the Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998), which, in part, makes it illegal to circumvent copy protection technology, or to alter copyright management information. Furthermore, in 1997, Congress passed the No Electronic Theft Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997), in order to fill a gap in U.S. law regarding the criminal liability of those who engage in harmful copyright infringement for non-commercial purposes. Its legislative history reveals congressional concern that additional penalties are needed to combat electronic copyright piracy. S. Rep. No. 105-339, at 4 (1997).

prospective injunction under *Ex Parte Young*. For example, state university systems' Intranets (computer networks linking classrooms, libraries, media centers and dormitory rooms) now make it possible for a university to distribute copies or performances of copyrighted works to countless faculty, students, and even members of the public. If the copyright law is not fully enforceable in these and other contexts involving state entities, copyright owners will suffer real and substantial harm.¹³

Against this background, *amici* fear state immunity in this context will act as a strong disincentive to full and appropriate state participation in the copyright marketplace. As indicated in the Copyright Remedy Act's legislative history, when two state universities found out that they faced no monetary liability for copyright infringement, they withdrew from negotiations with the Copyright Clearance Center for photocopying licenses. H.R. Rep. No. 101-282, at 8 (1989). Such incidents demonstrate not only the disincentive to adhere to the copyright law, absent effective remedies, but also a potential breakdown of the bargaining process essential to a healthy market for copyrighted works.

The constitutional goal of advancing "the Progress of Science and the Useful Arts" requires adequate remedies against infringers of all stripes—including States. For the reasons set forth below, *amici* urge this Court to affirm the decision of the Federal Circuit.

SUMMARY OF ARGUMENT

The Patent Remedy Act is constitutional. The Federal Circuit correctly determined that the Patent Remedy Act is a proper exercise of Congress' power under section 5

¹³ See S. Rep. No. 101-305, at 11 (1990) (describing how a State, once it found itself immune from damages, only offered to pay for one copy of software rather than license the number it needed).

of the Fourteenth Amendment. The appellate court's conclusion and analysis is consistent with this Court's Eleventh Amendment and section 5 jurisprudence, including *Seminole Tribe of Fl. v. Florida*, 517 U.S. 44 (1996), and *City of Boerne v. Flores*, 521 U.S. 507 (1997).

In *Seminole*, this Court set forth a two-part test for determining whether an act of Congress may abrogate a state's Eleventh Amendment immunity: (1) whether Congress has unequivocally expressed its intent to abrogate the state's immunity and (2) whether Congress has acted pursuant to a valid exercise of power. *Seminole*, 517 U.S. at 55. The Patent Remedy Act satisfies both requirements.

The requisite intent to abrogate state immunity from federal suit for patent infringement is plainly satisfied by the language of the statute.¹⁴ As to the second prong of the *Seminole* test, the Patent Remedy Act, and, by analogy, the Copyright Remedy Act are valid exercises of Congress' power under section 5 of the Fourteenth Amendment. Although *Seminole* teaches us that Congress may not use its Article I powers to abrogate state sovereign immunity, it also unambiguously reaffirmed Congress' authority to do so pursuant to section 5 of the Fourteenth Amendment. Moreover, Congress may use its powers under section 5 of the Fourteenth Amendment to enforce legislatively the guarantees against deprivations of property without due process of law contained in section 1 of that Amendment. Recognizing that College Savings Bank and the United States will explain in detail the correctness of the Federal Circuit's decision below, *amici* will focus their comments on certain discrete issues that they believe warrant special mention.

First, the legislative history of the Patent Remedy Act is consistent with the congressional determination that the

¹⁴ Petitioners concede this point. Br. of Pet. at 15.

objective of the Patent Remedy Act is constitutionally permissible and is entitled to due deference by this Court. Congress' overarching objective in enacting the Patent Remedy Act was to address its concern that the overall effectiveness and uniformity of the comprehensive patent system it created was threatened by the lack of effective legal tools to deter state-sponsored deprivations of patents. Congress responded to this concern by establishing reliable, consistent and targeted procedures to deter state deprivations—a necessity given both the manner in which patented products and processes move in interstate commerce and the need to avoid subjecting patent owners to inconsistent forms of protection.

Second, all the Court need decide in the instant case is that patents are property interests for purposes of the due process clause—a decision that readily flows from the fact that the status of patents as a species of property is longstanding, noncontroversial and beyond doubt. Contrary to what Petitioner has suggested, affirming the Federal Circuit's decision will not enable Congress to routinely enact laws creating property interests that in turn can serve as the basis for abrogating state sovereign immunity.

Third, the Patent Remedy Act fully respects the *Flores* Court's fundamental distinction between remedial and substantive legislation. It neither adds nor subtracts rights to or from the patent holder. Thus, the explicit language and singular purpose of the Act conclusively demonstrate why the Act is remedial and not substantive in nature.

Finally, unlike the Religious Freedom Restoration Act ("RFRA"), Pub. L. No. 103-141, 107 Stat. 1488 (1993), the Patent Remedy Act does not "contradict vital principles necessary to maintain separation of powers and the federal balance." *Flores*, 521 U.S. at 536. The statute at issue in *Flores* intruded into potentially every area of state regulation. The Patent Remedy Act, in contrast,

requires States to show the same respect for the patent rights of private parties that they expect private parties to show for theirs. The federal/state balance is therefore unaffected. Moreover, the Patent Remedy Act works no adverse effect on the separation of powers, as the Court remains the final arbiter of the Constitution's meaning. In sum, the Patent Remedy Act properly abrogated state Eleventh Amendment immunity pursuant to Congress' remedial power to protect deprivations of property under section 5 of the Fourteenth Amendment.

ARGUMENT

I. THE PATENT REMEDY ACT MEETS THIS COURT'S REQUIREMENTS FOR ABROGATING STATE IMMUNITY UNDER THE ELEVENTH AMENDMENT.

In order for an act of Congress to set aside state sovereign immunity, *Seminole Tribe* requires that Congress (1) "has 'unequivocally expresse[d] its intent to abrogate the immunity,'" and (2) "has acted 'pursuant to a valid exercise of power.'" *Seminole*, 517 U.S. at 55 (quoting *Green v. Mansour*, 474 U.S. 64, 68 (1985)).

A. Congress Unequivocally Expressed the Requisite Intent to Abrogate.

Here, no dispute exists over whether the Patent Remedy Act evinces the requisite congressional intent to abrogate state immunity; the Federal Circuit found—and the parties agreed—that such intent is present. *College Sav. Bank v. Florida Prepaid Educ. Expense Bd.*, 148 F.3d 1343, 1347 (Fed. Cir. 1998); Br. of Pet. at 15.¹⁵ This point is underscored by the fact that the *only* reason that

¹⁵ Similarly, the Fifth Circuit's initial *Chavez* decision found that the Copyright Remedy Act satisfied *Seminole's* intent requirement. See *Chavez v. Arte Publico Press*, 59 F.3d 539, 547 (5th Cir. 1995).

Congress enacted the Patent Remedy Act—and its copyright counterpart—was to abrogate state sovereign immunity from infringement suits in federal court.¹⁶

B. The Patent Remedy Act Is a Valid Exercise of Congress' Power Pursuant to Section 5 of the Fourteenth Amendment.

Although this Court in *Seminole* ruled that Congress cannot abrogate state sovereign immunity when acting under its Article I powers, it also reiterated that Congress does have the power to do so pursuant to section 5 of the Fourteenth Amendment. Section 5 gives Congress the power to enforce legislatively the guarantees against deprivations of life, liberty or property without due process of law.¹⁷ *Seminole*, 517 U.S. at 59 (citing *Fitzpatrick v. Bitzer*, 427 U.S. 445, 454-55 (1976)). Specifically, in *Seminole*, this Court reaffirmed its holding in *Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976):

[T]hrough the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment and therefore . . . § 5 of the Fourteenth Amendment allowed Congress to abrogate the immunity guaranteed by that Amendment.

¹⁶ See, e.g., S. Rep. No. 102-280, at 1 (1992) (indicating that states are not immune from patent infringement suits); H.R. Rep. No. 101-960, at 33 (1990) (noting that the legislation at issue was intended "to make it unmistakably clear that States are subject to suits in Federal courts . . . for patent infringement"); H.R. Rep. No. 101-282, at 2 (1989) ("The purpose of [the Copyright Remedy Act] . . . therefore, is to amend title 17 to clearly and explicitly abrogate State sovereign immunity to permit the recovery of money damages against States.").

¹⁷ Section 1 of the Fourteenth Amendment prevents the states from depriving individuals of "life, liberty or property without due process of law." U.S. Const. amend. XIV, § 1. Section 5 gives Congress the power to enforce section 1's guarantees through "appropriate legislation." U.S. Const. amend. XIV, § 5.

517 U.S. at 59. In *Fitzpatrick*, the Court recognized that the Fourteenth Amendment had fundamentally altered the balance of power established by the Constitution in 1789 by expanding federal power at the expense of State autonomy. See *id.* As the *Fitzpatrick* Court noted, Congress, under its section 5 power, may "provide for private suits against States or state officials which are constitutionally impermissible in other contexts." *Fitzpatrick*, 427 U.S. at 456. Thus, section 5 of the Fourteenth Amendment affirmatively limits the sovereign power of the States by allowing Congress to abrogate a State's Eleventh Amendment immunity from suit in federal court.

The sole issue here is whether the Patent Remedy Act is "appropriate legislation" for purposes of section 5 and thus sustainable under the Fourteenth Amendment—the "solitary legislative tool" available to Congress to abrogate state sovereign immunity. *College Savings*, 148 F.3d at 1347.¹⁸ This Court's recent decision in *City of Boerne v. Flores*, 521 U.S. 507 (1997), provides the jurisprudential framework necessary to answer this question.

In *Flores*, the Supreme Court confirmed the vitality of the test—previously set out in *Ex Parte Virginia*, 100

¹⁸ As the Federal Circuit correctly noted, Congress does not have to recite the source of its power when acting pursuant to section 5. *College Savings*, 148 F.3d at 1347; see also *EEOC v. Wyoming*, 460 U.S. 226, 243 n.18 (1983); *Woods v. Cloyd W. Miller Co.*, 333 U.S. 138, 144 (1948) ("[t]he . . . constitutionality of action taken by Congress does not depend on recitals of the power which it undertakes to exercise"); *Coger v. Board of Regents of Tenn.*, 154 F.3d 296, 303 (6th Cir. 1998); *Ussery v. Louisiana*, 150 F.3d 431, 436 (5th Cir. 1998) ("As long as Congress had such authority as an objective matter, whether it also had the specific intent to legislate pursuant to that authority is irrelevant."); *Goshtasby v. Board of Trustees of the Univ. of Ill.*, 141 F.3d 761, 768 (7th Cir. 1998) (requiring no "talismanic intoning" of the Fourteenth Amendment). Thus, it is of no consequence that Congress did not expressly allude to section 5 when it enacted the Copyright Remedy Act, but did explicitly invoke section 5 when it passed the Patent Remedy Act. See S. Rep. No. 102-280, at 8 (1992).

U.S. 339 (1880), and followed in *Katzenbach v. Morgan*, 384 U.S. 641, 651 (1966)—for determining whether an act is the product of an appropriate exercise of power under section 5:

Whatever legislation is appropriate, that is, adapted to carry out the objects the amendments have in view, whatever tends to enforce submission to the prohibitions they contain . . . if not prohibited, is brought within the domain of congressional power.

Katzenbach, 384 U.S. at 651.

Flores provided additional guidance regarding the application of the *Ex Parte Virginia/Katzenbach* test. First, it confirmed the principle that “§ 5 is ‘a positive grant of legislative power to Congress.’” *Flores*, 521 U.S. at 517 (citing *Katzenbach*, 384 U.S. at 651). Second, it advised the States that they may not pick and choose which provisions of the Fourteenth Amendment they wish to follow; section 5’s guarantees apply to all of them. *See id.* at 518-19. Third, the *Flores* Court clarified that although a significant grant of power, the Fourteenth Amendment’s reach has limits. *Id.* (citing *Oregon v. Mitchell*, 400 U.S. 112, 128 (1970)). Congress only has the power to enact “remedial” legislation to secure the Amendment’s guarantees; it may not create new “substantive” rights. *Id.* at 519. Thus, a proper “remedial” statute enacted pursuant to section 5 will have “a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end.” *Id.* at 520. Finally, although noting the limits of congressional power, the *Flores* Court acknowledged that the “line between measures that remedy or prevent unconstitutional actions and measures that make a substantive change in the governing law is not easy to discern, and Congress must have wide latitude in determining where it lies.” *Id.* at 519-20.

In *Flores*, the Court found RFRA went beyond the scope of Congress’ remedial section 5 powers by applying the following factors: (1) the proportionality between the threatened harm and the means adopted to address it; (2) the degree of intrusion inflicted on state governments by the Act; and (3) the impact of the statute on separation of powers and the federal/state balance. In large part, *Flores* turned on the unprecedented reach of RFRA; its “[s]weeping coverage ensure[d] its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter.” *Flores*, 521 U.S. at 532.¹⁹

The Federal Circuit faithfully adhered to *Flores* and this Court’s earlier section 5 precedent. Above all, the appellate court’s conclusions—that the objective of the Patent Act is a legitimate one and that the means employed by Congress to achieve that objective are “plainly adapted” to that end—are consistent with this Court’s relevant jurisprudence.

1. *The Legislative History of the Patent Remedy Act Amply Supports the Federal Circuit’s Determination that the Act’s Objective Is Legitimate.*

The Federal Circuit concluded that “[t]he objective of the Patent Remedy Act, which is to protect privately-held patent property from deprivation by states, is constitutionally legitimate.” *College Savings*, 148 F.3d at 1352. A review of the legislative history of the Patent Remedy Act underscores the correctness of this determination.

¹⁹ The real point of contention in *Flores* focused on the fact that RFRA subjected every statute whether federal, state or local—to the “most demanding test known to constitutional law.” *Flores*, 521 U.S. at 534. Once a claimant could show that a law substantially burdened the free exercise of religion, a claim “often . . . difficult to contest,” the State had to show that the law is the least restrictive means available to advance a compelling interest. *Id.*

Congress' overarching objective in enacting the Patent Remedy Act was to address its concern that the overall effectiveness and uniformity²⁰ of the comprehensive patent system it created²¹ was threatened by the lack of effective legal tools to deter State-sponsored deprivations of patents. Congress responded to this concern by putting in place reliable, consistent and targeted procedures to deter state deprivations—a necessity demonstrated by both the manner in which patented products and processes move in interstate commerce and the need to avoid subjecting patent owners to inconsistent forms of protection. In doing so, it was motivated by several relevant factors.

First, Congress knew that states are major users of patented works.²² As a witness told the House Judiciary

²⁰ Prior to the enactment of the Patent Remedy Act, this Court recognized that "[o]ne of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution was to promote national uniformity in the realm of intellectual property." *Bonito Boats v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989) (citing *The Federalist* No. 43, at 309 (B. Wright, ed. 1961)).

²¹ It is perfectly valid for Congress to use its section 5 powers to protect property created under Article I. Petitioner's argument to the contrary misconstrues the nature of congressional powers under Article I and section 5. Article I, Section 8, Clause 8, gives Congress authority to create and protect patents from infringements. Section 5 provides a basis for protecting "property" from due process deprivations—irrespective of the source of those property rights—by abrogating state immunity. This section 5 power is separate and apart from the grant of patent conferred through statutes enacted pursuant to the patent clause. The Federal Circuit correctly noted that "[t]he Constitution itself, by recognizing the importance of securing the rights of inventors to their inventions . . . signals a reason to secure patent property from risk of deprivation." *College Savings*, 148 F.3d at 1350.

²² *The Patent Remedy Clarification Act, Hearing on H.R. 3886 before the Subcomm. on Courts, Intellectual Property and the Admin. of Justice of the House Comm. on the Judiciary*, 101st Cong., 46-61 (1990) [hereinafter *House Hearings*] (statement of William S. Thompson).

Subcommittee on Courts, Intellectual Property and the Administration of Justice:

[s]tates and state instrumentalities own and operate hospitals, universities, prisons and libraries. States build and maintain roads. States provide facilities and equipment for large numbers of employees who all perform all manner of state supported activities. Its [sic] difficult for us to identify a patented product or process which might not be used by a state.

H.R. Rep. No. 101-960, at 38 (1990). Congress recognized that given this widespread use of patented products and processes by states, sovereign immunity from patent infringement suits in federal court left an important gap in the coverage of its otherwise comprehensive, uniform patent system. It sought to close this gap and deter state deprivations of property rights by making states amenable to suit in federal court and the full panoply of remedies provided for under the patent law.

Second, Congress emphasized that because federal courts have exclusive jurisdiction over patent cases,²³ state immunity would deny patent holders any forum in which to bring patent infringement damage actions against States:

Congress has given the Federal courts exclusive jurisdiction over claims arising under our nation's patent law to ensure uniformity in our patent system. However, this exclusive jurisdiction has resulted in the unintended consequence of eliminating the only forum for patent owners to obtain relief against States, due to the Eleventh Amendment protection.

H.R. Rep. No. 101-960, at 38 (1992).

Third, Congress took no solace in the suggestion—echoed by Petitioner—that state law remedies provide

²³ 28 U.S.C. § 1338(a) (1994).

adequate protection against state patent infringements. Not only did Congress discount this option as thwarting the objective of a uniform patent system,²⁴ it also recognized that the general availability of effective state remedies was tenuous given the preemptive reach of the patent law.²⁵ Thus, the Federal Circuit was fully justified in

²⁴ H.R. Rep. No. 101-960, at 38 ("Now, if patentees turn to the State courts for alternative forms of relief from patent infringement, the result will be a patchwork of State laws, actually undermining the goal of national uniformity in our patent system.").

[A] problem with this approach [reliance on state remedies] is that it assumes that such state law remedies will be available in every state in which the patentee's product is sold. This may or may not be true. In any event, requiring a potential plaintiff (patentee) to ascertain the validity of her claims under the differing substantive and procedural laws of the fifty states may well prove a very substantial disincentive to the commencement of such suits. Moreover, it would vitiate a major goal of the federal intellectual property system: *national uniformity*. In short, these remedies are no substitute for patent infringement actions.

House Hearings, supra, at 34 (statement of Professor Robert Merges) (internal citations omitted).

²⁵ To underscore this point, the House Judiciary Committee favorably quoted from the testimony of Professor Robert Merges:

[I]t is not clear whether a claim that is in *substance* a patent infringement claim would be heard by a state court, especially after the Supreme Court's decision last year in *Bonito Boats v. Thundercraft Boats, Inc.* [489 U.S. 141 (1989)]. A patentee could be caught in a catch-22, with her state law claims preempted by the federal patent statute under *Bonito Boats*, but her patent suit blocked by a sovereign immunity defense.

H.R. Rep. No. 101-960, at 37 n.158.

Further, the Federal Circuit in *College Savings*, while acknowledging that it had previously

opined in dicta that . . . a [takings claim premised on a patent infringement theory] could be brought in state court, see *Jacobs Wind Elec. Co. v. Department of Transp.*, 919 F.2d 726, 728 (Fed. Cir. 1990), *such process may be illusory*. The Supreme Court has not indicated whether a takings claim based on patent infringement is cognizable in state court in light of

rejecting the argument that abrogation under the Patent Remedy Act should apply only to states "that fail to provide a remedy for patent infringement by the state, or that provide a remedy of such inconsequence as to be illusory." *College Savings*, 148 F.3d at 1350. As the appellate court stated,

[t]his interpretation imputes to Congress an intent to overlook the enforcement of federal patent rights on a piecemeal, state-by-state basis and to deny Congress the authority to subject all states to suit for patent infringement in the federal courts, regardless of the extent of procedural due process that may exist at a particular time. . . . [T]he fact that Florida *may* today have some process available to a patentee asserting infringement by the state does not preclude Congress from exercising its powers under the Fourteenth Amendment.

College Savings, 148 F.3d at 1351.

Fourth, in Congress' view, effective, uniform protections against state deprivations of patents were needed to eradicate the arbitrary, anomalous and unfair advantage that sovereign immunity confers on states:

[T]he current state of the law leaves the protection afforded to patent . . . holders dependant [sic] upon the status of the infringing party. A public school such as UCLA can sue a private school such as USC for patent infringement, yet USC cannot sue UCLA for the same act. . . . State universities should not have an unjustified advantage in the commercial arena over private universities for funding because

the fact that Congress has declared that claims arising under the federal patent law are within the exclusive province of the federal courts. See 28 U.S.C. § 1338(a) (1994).
148 F.3d at 1350 (emphasis added).

of the potential for immunity from patent infringement actions.²⁶

S. Rep. No. 102-280, at 9 (1992) (internal citations omitted).

2. Patents Are Property and Protecting Them from State Infringement Is a Legitimate End Under the Fourteenth Amendment.

The Federal Circuit noted that the determination whether a certain interest qualifies as property "may prove a difficult task at times," *College Savings*, 148 F.3d at 1352, but rightly concluded that no such difficulty occurs here. In this case, the Court need only decide whether patents are property that Congress may protect from state deprivations through its powers under section 5. *Amici* believe that the Court's answer to this question is a simple one, given the longstanding, undisputed and non-controversial recognition of patents as a property right.

In *Board of Regents v. Roth*, 408 U.S. 561 (1972), this Court laid down the test clarifying the meaning of property under the due process clause inescapably supporting the conclusion that patents are property rights. The Court acknowledged that the scope of property interests safeguarded by the Fourteenth Amendment "may take many forms," *Roth*, 408 U.S. at 576, and continued:

To have a property interest in a benefit, a person clearly must have more than an abstract need or desire for it. He must have more than a unilateral

²⁶ See also 135 Cong. Rec. S1757 (daily ed. Feb. 27, 1990) ("As State and private universities vie for research projects sponsored by industries, the sovereign immunity defense will create an uneven playing field. A private company looking to do research in a competitive area will consider a state university more favorably as a research partner since that institute would be immune from competitors' infringement suits") (statement of Senator DeConcini).

expectation of it. He must, instead, have a legitimate claim of entitlement to it.

Id. at 577.

The propriety of the Federal Circuit's conclusion that "central and historic" fixtures such as patents constitute "property" is indisputable. *College Savings*, 148 F.3d at 1352. This Court first recognized patents as a species of property over a century ago, *Brown v. Duchesne*, 60 U.S. (9 How.) 183, 197 (1856), and justly so. Patents exhibit the one attribute common to every species of property: the right to exclude others from use. *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983) ("Under the statute, 35 U.S.C. § 261, a patent is a form of property right, and the right to exclude recognized in a patent is but the essence of the concept of property."); *Panduit Corp. v. Stahl Bros.*, 575 F.2d 1152, 1158 n.5 (6th Cir. 1978) ("that one human property right may be challenged by trespass, another by theft, and another by infringement, does not affect the fundamental indicium of all 'property,' i.e., the right to exclude others."); see also 35 U.S.C. § 271 (1994) (creating remedies for trespass on the patent owner's rights). Thus, it seems beyond cavil that patents meet the definition of property for purposes of the due process clause.²⁷

Here, the question before the Court is whether an intangible "historical fixture" such as a patent constitutes property for section 5 purposes. The answer is obvious—a resounding yes. Such a determination is not a "direct end-run around *Seminole's* holding," *Chavez*, 157 F.3d at 290, because section 5 affirmatively grants Congress power to remedy state deprivations of property. The Federal

²⁷ *Amici* note that the same may be said of copyright. See *Chavez*, 157 F.3d at 296 (Wisdom, J., dissenting) (noting the historic treatment of copyrights as property).

Circuit's validation of the Patent Remedy Act is therefore not, as Petitioner and its *amici* would have this Court believe, an aberrant and unjustifiable result, but "one grounded in the Constitution and well-established precedent." *Chavez*, 157 F.3d at 298 (Wisdom, J., dissenting). "[I]f the reasoning of *Fitzpatrick* is to retain vitality, it must be that the protection of a well-established property interest such as a patent is a permissible objective under the Fourteenth Amendment." *College Savings*, 148 F.3d at 1352.

Amici strain to envision any bundle of rights that Congress could protect from deprivation if the patent holder's rights in his invention do not meet the definition of property. Moreover, any concerns over an "end run" are misplaced because this Court remains the final arbiter of the Constitution's meaning. Congress does have power to interpret the Constitution and its interpretations are due deference, particularly with regard to an "area of specially informed legislative competence." *Katzenbach*, 384 U.S. at 648. However, this Court—and only this Court—will determine ultimately what the term "property" means in the context of the Fourteenth Amendment. *Cf. Flores*, 521 U.S. at 520-24 (examining legislative history to determine whether Congress had attempted to create a substantive right under section 5). Should Congress misconstrue the meaning of property for due process purposes, this Court will restore the constitutional balance, as it has in the past. *Cf. id.* at 536 (striking down RFRA as an impermissible intrusion); *Lopez v. United States*, 514 U.S. 549 (1995) (striking down federal gun control law as impermissible overreaching under Article I). Here, the historic characteristics of patent rights support the Federal Circuit's conclusion that, as property, patents legitimately deserve protection from state infringements under the Fourteenth Amendment.

3. *The Patent Remedy Act's Compliance with the Substantive/Remedial Test in Flores Is Under-scored by the Text and Singular Purpose of the Act.*

The Patent Remedy Act fully respects the *Flores* Court's fundamental distinction between remedial and substantive legislation. The explicit language, legislative history, and singular purpose of the Act demonstrate why it is clearly remedial and not substantive in nature.

The Act makes no substantive changes in the patent law whatsoever, nor does it change the remedial provisions of the patent law. The *sole* purpose of the Patent Remedy Act is to ensure that patent owners have a forum and effective remedies when their property rights are infringed by states²⁸—a result that Congress had always intended.²⁹ In effect, Congress viewed the Act as a technical amendment to the patent law necessitated by court decisions requiring it to speak with heightened specificity when abrogating state sovereign immunity.³⁰

²⁸ "The purpose of S. 758 [the bill that became the Patent Remedy Act] is to clarify Congress' intent that States and State entities are not immune from infringement suits under the Patent Code" S. Rep. No. 102-280, at 1.

²⁹ "Congress never intended for states to be immune from patent . . . infringement suits in Federal court." S. Rep. No. 102-280, at 11; *see also House Hearings, supra*, at 5 ("It is my belief that the Congress never intended to exempt the States from damages for copyright or patent infringement.") (statement of Rep. Kastemeier).

³⁰ *See* S. Rep. No. 102-280, at 4-6 (discussing the "unmistakably clear" test articulated in *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234 (1985), and *Atascadero's* impact on patent infringement suits, specifically, *Chew v. State of Calif.*, 893 F.2d 331 (Fed. Cir. 1991) and *Jacobs Wind Elec. Co. Inc., supra*).

4. *The Patent Remedy Act Respects the Fundamental Precepts of Separation of Powers and the Federal/State Balance.*

In *Flores*, the Court noted that “[broad] as the power of Congress is under the Enforcement Clause of the Fourteenth Amendment, RFRA contradicts vital principles necessary to maintain separation of powers and the federal balance.” 521 U.S. at 536. The Patent Remedy Act suffers no such infirmity.

The Patent Remedy Act, unlike RFRA, fully respects the federal/state balance which undergirds our constitutional scheme. The fatal defect in RFRA was the myriad ways in which it intruded on state regulatory activities. In *Flores*, RFRA drowned in its own intrusiveness on traditional state prerogatives. The statute effectively allowed challenges against a whole host of state legislative acts based on an individual’s subjective belief that his religious rights have been impinged upon and then subjected those laws to the most exacting test in our constitutional system. *See Flores*, 521 U.S. at 532-35. In that situation, the Court concluded that RFRA imposed a level of federal intrusion into state affairs that the Constitution could not countenance.

The Patent Remedy Act stands in stark contrast to the full-scale assault on state sovereignty attempted by RFRA. Here, the States are by no means disadvantaged; the Patent Remedy Act merely requires them to abide by the same rules as all other private entities. They only face the burdens everyone else is required to shoulder—an equitable result given that they reap the full benefits of patent ownership. When juxtaposed against the broad sweep of RFRA, it is clear that the Patent Remedy Act does not impermissibly skew the federal/state balance.

Moreover, unlike RFRA, the Patent Remedy Act does not alter the separation of powers between the judicial

and legislative branches. As noted above, the Patent Remedy Act is remedial, not substantive in nature; it does not trespass on the judiciary’s role as final arbiter of the meaning of the Constitution. In addition, the Act respects the role of federal courts in preserving the uniformity of rights and remedies under the federal patent system by enabling federal judges to hear infringement actions—an impossibility if sovereign immunity attaches.

Thus, the measures taken by Congress to ensure that patent owners have a forum to redress state deprivations of their property rights falls well within the permissible use of its power under the Fourteenth Amendment.

CONCLUSION

For all the foregoing reasons, the decision of the Federal Circuit should be affirmed.

Respectfully submitted,

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On Behalf of The American
Society of Composers,
Authors, And Publishers;
Broadcast Music Inc.; The
Business Software Alliance;
The Motion Picture
Association of America;
The Recording Industry
Association of America;
And Reed Elsevier Inc.
As Amici Curiae

• Counsel of Record

APPENDIX

APPENDIX

IDENTITY OF INDIVIDUAL *AMICI*

The American Society of Composers, Authors, and Publishers ("ASCAP") and Broadcast Music Inc. ("BMI") are performing rights licensing organizations, together representing the creators of more than 90% of the copyrighted musical works performed publicly throughout the United States. The two organizations license their hundreds of thousands of members' and affiliates' works for nondramatic public performance by thousands of businesses and others, including numerous State-operated universities, stadia, arenas, radio and television stations, and Internet web sites, all of whom pay fees for the right to perform the music in the ASCAP and BMI repertories.

The Business Software Alliance ("BSA") is a trade association whose members include the leading software publishers in the United States. These companies have helped the United States attain and retain its status as the world's leading producer and distributor of computer software. Products produced by BSA members represent a broad array of business software, including but not limited to programs for graphic arts and presentations, engineering, architecture, word processing, spreadsheets, databases, networking, productivity, connectivity and system stability/protection. Software is ubiquitous throughout businesses and organizations around the United States. However, approximately 27% of all software in the United States is unlicensed and therefore illegal. This resulted, in 1996, in an estimated 130,000 jobs that were not created and nearly \$1 billion in lost tax revenues.

States and their instrumentalities are no different from other U.S. businesses with respect to their software usage. Software is used in almost every imaginable governmental function, from specialized tasks to general office adminis-

tration. Moreover, the very size and number of States and their instrumentalities puts them in a class of very large users of software products. BSA, on behalf of its members, has investigated and settled claims of software piracy against state instrumentalities, including agencies and schools.

The Motion Picture Association of America is a non-profit trade association founded in 1922 to promote the interests of the motion picture industry in the United States. The MPAA's members produce and distribute approximately 90% of the filmed entertainment in the theatrical, television and home video markets. Its seven members are among the leading producers and distributors of motion pictures in the United States. Significant amounts of this product are currently licensed to state-owned entities such as schools, libraries and prisons.

The Recording Industry Association of America is a non-profit trade association whose member companies produce, manufacture and distribute over 90% of the legitimate sound recordings, records, CDs and audio tapes sold in the United States. Among other things, the RIAA's mission is to protect its members' intellectual property rights worldwide, including in the networked environment. Over the past three years, the RIAA has seen a proliferation of illicit music sites on the Internet, many offering hundreds to thousands of its members' full length recordings for users to download. University and college students, many at state-operated institutions, operated a majority of the illicit sites located by the RIAA in 1997 and 1998.

Reed Elsevier Inc. is a leading publisher of various types of copyrighted works for the business and academic communities, including scientific journals, law-related materials, reference books and textbooks, and magazines.

State instrumentalities—including government agencies such as legal departments, as well as state-run universities, colleges and libraries—are a very significant market for many of Reed Elsevier's varied products. For example, Elsevier Science Inc. (a wholly owned subsidiary) sold subscriptions to scientific and academic journals—including *Current Biology*, *Brain Research*, *Tetrahedron*, *Comparative Biochemistry & Physiology*, and *Linear Algebra*—to state agencies, principally state colleges and universities. Another Reed Elsevier entity, Cahner's Business Information Division, sold publications such as *Library Journal*, *School Library Journal* and *Broadcasting & Cable* to state agencies, primarily educational institutions. Reed Elsevier's LEXIS-NEXIS business provides an extensive online database of legal authorities and news sources; its subscribers include many state colleges, universities, law schools, law libraries, and legal departments. Furthermore, two other Reed Elsevier companies, Matthew Bender & Co., Inc. and Lexis Law Publishing, are major publishers of legal materials, including Nimmer on Copyright, Chisum on Patents and annotated codes. Sales of copyrighted material by Reed Elsevier companies to state instrumentalities total approximately \$150 million per year.

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Supreme Court, U.S.
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No. 98-531

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IN THE

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Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

—v.—

COLLEGE SAVINGS BANK and THE UNITED STATES OF AMERICA,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**BRIEF FOR THE ASSOCIATION OF AMERICAN
PUBLISHERS, INC., THE AMERICAN SOCIETY OF
JOURNALISTS AND AUTHORS, INC., THE AMERICAN
SOCIETY OF MEDIA PHOTOGRAPHERS, INC., THE
ASSOCIATION OF AMERICAN UNIVERSITY PRESSES, INC.,
THE AUTHORS GUILD, INC., COPYRIGHT CLEARANCE
CENTER, INC., NATIONAL MUSIC PUBLISHERS
ASSOCIATION, INC., SOFTWARE AND INFORMATION
INDUSTRY ASSOCIATION, AND THE TRAINING
MEDIA ASSOCIATION AS *AMICI CURIAE*
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QUESTION PRESENTED

Did Congress have the authority under Section 5 of the Fourteenth Amendment to enact the Patent and Plant Variety Protection Remedy Clarification Act, P.L. 102-560, 106 Stat. 4230 (1992)?

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AMICI CURIAE BRIEF IN SUPPORT OF RESPONDENTS

INTEREST OF THE *AMICI CURIAE*¹

Amici, who file this brief with the consent of the parties, represent or act on behalf of thousands of authors and publishers of books, software, educational materials, training materials, and musical compositions whose protection from copyright infringement by states and state entities would be seriously jeopardized if the claims of some states to sovereign immunity from suits under federal law in federal courts were upheld. The question of whether unwilling states may be sued under federal laws in state courts is now pending before this Court. *See Alden v. Maine*, No. 98-436, *cert. granted*, 119 S. Ct. 443 (Nov. 9, 1998).

As discussed further below, the Patent and Plant Variety Protection Remedy Clarification Act (Patent Remedy Act), P.L. 102-560, 106 Stat. 4230 (1992), is a close cousin of the Copyright Remedy Clarification Act (CRCA), Pub. L. 101-553, 104 Stat. 2749 (1990), which was designed to subject states to infringement actions in federal court. A decision adverse to the respondents here might well invalidate the CRCA as well. It would therefore deprive copyright owners of protection for their property and the public of the creation-inducing function of copyright. Because of the extensive use state governments make of copyrighted materials — in state colleges and universities, in elementary and high school public education, in training state employees, in purchasing educational materials (software, books, sheet music) in some jurisdictions, in

¹ No counsel for a party authored this brief in whole or in part, and no person or entity other than the *amici curiae*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

operating state university presses, in administering all the unpaid functions, programs and activities of a modern welfare and regulatory state — it is of vital importance to the creative community that copyright be fully protected against government infringement. *Amici* thus submit this brief, in a case involving no apparent copyright issue, to remind the Court of the substantial harms to copyright holders and the public for whose benefit copyright exists if intellectual property generally is not protected against state infringement.

In a recent decision, *Chavez v. Arte Publico Press*, 157 F.3d 282 (1998), *vacated and rehearing en banc granted* (Oct. 1, 1998), a Fifth Circuit panel held that despite Congress's clear intent to abrogate state immunity from suit in federal court for copyright infringement, as reflected in CRCA, that law exceeded congressional power. *Amici* here filed a friend-of-the-court brief in *Chavez* before that panel and before the entire Fifth Circuit *en banc*. That rehearing, however, is being held in abeyance pending a decision in this case.

As the court below noted, the issues concerning the constitutionality of the Patent Remedy Act here and CRCA in *Chavez* are strikingly similar. The Court's decision here will be contented to have determined the outcome of *Chavez* and all future federal copyright suits against state entities. A holding here that Congress cannot subject states to patent infringement suits in federal court might well deprive *amici* of the very remedies that Congress has deemed essential for effective copyright protection, namely private copyright infringement suits for damages in federal court, making the safeguards of federal copyright law illusory so long as Congress adheres to its historic policy of providing for copyright protection exclusively in federal courts.

Worse, if this Court were to hold that Congress may not create causes of action enforceable against states in state courts,

as some states have sought in *Alden v. Maine*, the basic presuppositions of the rule of law would be threatened. Notwithstanding Congress's undoubted power to subject states to patent and copyright law as a formal matter, *see Garcia v. San Antonio Metro. Transit Auth.*, 469 U.S. 528 (1985), *overruling National League of Cities v. Usery*, 426 U.S. 833 (1976), judgment for Maine in *Alden* would likely deprive Congress of any power to enforce compliance with Supreme federal intellectual property law and prevent vindication of the rights of those whose property states take by infringement, making the formal supremacy of federal patent and copyright law an empty gesture. As this Court noted in *Marbury v. Madison*, 5 U.S. 137 (1803), "[t]he very essence of civil liberty certainly consists in the right of every individual to claim the protection of the laws, whenever he receives an injury," and it is "[o]ne of the first duties of government" to afford such protection. *Id.* at 163. *Amici* submit this brief in support of Congress's legitimate attempt to meet that duty.

SUMMARY OF ARGUMENT

The Patent Remedy Act is a valid exercise of congressional power under the Enforcement Clause of the Fourteenth Amendment. The well-settled test for determining the validity of Enforcement Clause legislation was set forth in *Katzenbach v. Morgan*, 384 U.S. 641 (1966), and recently expanded on in *City of Boerne v. Flores*, 521 U.S. 507, 117 S. Ct. 2157 (1997). Under the three part *Morgan-Flores* test, the Patent Remedy Act is clearly constitutional.

First, the Act "may be regarded" as an act to enforce the Fourteenth Amendment. Patents are property, and state infringement of patents deprives patent owners of property without due process of law. Congress has the authority to provide a general remedy for such deprivations under the Enforcement Clause.

Second, the Act is "plainly adapted" to enforcing the Due Process Clause. Congress found a substantial likelihood of harm to copyright and patent property if state claims of immunity were enforced in federal courts, and its findings are entitled to great deference. The Patent Remedy Act is, as the title indicates, purely *remedial* legislation. It does not expand any primary obligations or duties of states, but merely provides a remedy for state violations of primary federal law, which are deprivations of property without due process of law. Nor is its remedy so sweeping as to be "draconian": the infringement remedies target only infringing states and impose only those damages that have been applied against private litigants.

Finally, the Act is consistent with the letter and spirit of the Constitution. It enforces a uniform law of intellectual property against all infringers, a scheme envisioned by the Framers who drafted the Copyright and Patent Clauses. And it protects property holders from undeniably unconstitutional deprivations of property without due process of law.

Having met all three prongs of the *Morgan-Flores* test, the Patent Remedy Act is constitutional.²

² *Amici* in this brief focus solely on Congress's power to abrogate Eleventh Amendment immunity under the Fourteenth Amendment. *Amici*, however, also join in the arguments of the United States and *amicus curiae* the International Trademark Association in No. 98-149 that Florida has waived its immunity through its competition with the College Savings Bank, and in the more general proposition that Congress may condition a state's entrance into a field that is traditionally the province of private competition, subject to federal regulation, on the state's willingness to obey the same rules that govern its private competitors. *Cf. South*

ARGUMENT

I. THE PATENT REMEDY ACT IS A VALID EXERCISE OF CONGRESSIONAL POWER CONFERRED BY THE FOURTEENTH AMENDMENT

A state's Eleventh Amendment immunity is not absolute. "[T]he States may waive their sovereign immunity;" in addition, "Congress could under the Fourteenth Amendment abrogate the States' sovereign immunity." *Seminole Tribe v. Florida*, 517 U.S. 44, 65 (1996). Congress, acting pursuant to section 5 (the Enforcement Clause) of the Fourteenth Amendment, validly abrogated state immunity from patent infringement suits in the Patent Remedy Act.³

In determining whether Congress has validly abrogated Eleventh Amendment immunity, courts must ask "first, whether Congress has 'unequivocally expressed its intent to abrogate the immunity,' and second, whether Congress has acted 'pursuant to a valid exercise of power.'" *Seminole*, 517 U.S. at 55 (citation omitted). Congress made its intention to abrogate clear by providing that "[a]ny State . . . shall not be immune, under the [E]leventh [A]mendment . . . from suit in Federal

Central Bell Telephone Co. v. Alabama, No. 97-2045 (U.S. 3/23/1999) ("[I]t is 'inherent in the constitutional plan' . . . that when a state court takes cognizance of a case, the State assents to appellate review by this Court of the federal issues raised in the case 'whoever may be the parties to the original suit, whether private persons, or the state itself.'" (citation omitted).

³ Section 5 grants Congress "power to enforce, by appropriate legislation, the provisions of this article," among which is the Due Process Clause.

court by any person" for patent infringement, 35 U.S.C. § 296(a) (1998), as the court below held. See *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Board*, 148 F.3d 1343, 1347 (Fed. Cir. 1998). The only question is whether it had the power to abrogate. *Seminole* apparently decided that such power can only be derived from the Enforcement Clause. *Seminole*, 517 U.S. at 59, 65-66 (citing *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976)).

Nothing in *Seminole* upset the well-settled test by which courts are to decide the validity of a congressional exercise of power under the Enforcement Clause — a test applied consistently by this Court in *Katzenbach v. Morgan* and its progeny, discussed below. Under the correct test, the Patent Remedy Act is constitutional.

A. This Court's Inquiry Is Governed by Its Decisions in *Morgan* and *Flores*

In considering whether legislation is within the enumerated powers of Congress, the "basic test" to be applied is derived from *McCulloch v. Maryland*, 17 U.S. 316, 421 (1819):

Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist[ent] with the letter and spirit of the constitution, are constitutional.

South Carolina v. Katzenbach, 383 U.S. 301, 326 (1966); see also *Ex Parte Virginia*, 100 U.S. 339, 345-46 (1880) ("Whatever legislation . . . tends to . . . secure to all persons the enjoyment of perfect equality of civil rights and the equal protection of the laws against State denial or invasion, if not prohibited, is brought within the domain of congressional power."). In *Katzenbach v. Morgan*, 384 U.S. 641 (1966), this Court drew from *McCulloch* a three-pronged inquiry for

determining whether a statute is "appropriate legislation" under the Fourteenth Amendment, which looks to whether the statute:

may be regarded as an enactment to enforce [the Fourteenth Amendment], whether it is "plainly adapted to that end" and whether it is not prohibited by but is consistent with "the letter and spirit of the constitution."

Morgan, 384 U.S. at 651.

Although Congress must be clear about its intent to abrogate, its authority to do so "does not depend on recitals of the power which [Congress] undertakes to exercise." *Woods v. Cloyd W. Miller Co.*, 333 U.S. 138, 144 (1948). Congress need not "recite the words 'section 5' or 'Fourteenth Amendment'" to invoke its Enforcement Clause power. *EEOC v. Wyoming*, 460 U.S. 226, 244 n.18 (1983). The *Morgan* test merely ensures that the Court can "discern some legislative purpose or factual predicate that supports the exercise" of Fourteenth Amendment power. *Id.*⁴

The *Morgan* test is broadly permissive: "It is for Congress in the first instance to 'determine whether and what legislation

⁴ *Pennhurst State Sch. & Hosp. v. Halderman*, 451 U.S. 1 (1980), is not to the contrary. *Pennhurst*, as recognized by the Courts of Appeals and this Court, stands only for the proposition that a court must be cautious in adopting statutory constructions that would alter the traditional federal-state balance, and has nothing to do with "whether Congress had the authority to do so once it has already unambiguously stated its intent to alter that balance." *Usery v. Louisiana ex rel. Louisiana Dep't of Health & Hosp.*, 150 F.3d 431, 436-37 (5th Cir. 1998); see also *EEOC v. Wyoming*, 460 U.S. at 244 n.18. As noted above, Congress unambiguously stated its intent to abrogate state immunity in the Patent Remedy Act.

is needed to secure the guarantees of the Fourteenth Amendment,' and its conclusions are entitled to much deference." *Flores*, 117 S. Ct. at 2172 (quoting *Morgan*, 384 U.S. at 651). Of course, the "broad" power to enforce the Fourteenth Amendment's prohibitions is "not unlimited," as the Supreme Court noted in holding that the Religious Freedom Restoration Act exceeded Congress's Enforcement Clause authority. *Flores*, 117 S. Ct. at 2163. Although "Congress must have wide latitude" to distinguish authorized enforcement under the Fourteenth Amendment from unauthorized changes in the substantive Constitution, "[t]here must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." *Id.* at 2164. Otherwise, Congress intrudes upon the power of the judiciary to "say what the law is." *Id.* at 2172.

The *Morgan* test, as supplemented by *Flores*, has been applied by seven circuits within the last year facing the question of whether certain congressional legislation abrogated state immunity pursuant to the Fourteenth Amendment.⁵ Under that test, as discussed below, the Patent Remedy Act is constitutional.

⁵ See *Cooper v. New York State Office of Mental Health*, 162 F.3d 770 (2d Cir. 1998); *Wheeling & Lake Erie Ry. v. Public Util. Comm'n*, 141 F.3d 88 (3d Cir. 1998); *Scott v. University of Mississippi*, 148 F.3d 493 (5th Cir. 1998); *Coger v. Board of Regents*, 154 F.3d 296 (6th Cir. 1998); *Goshtasby v. Board of Trustees*, 141 F.3d 761 (7th Cir. 1998); *Oregon Short Line R.R. v. Department of Revenue Or.*, 139 F.3d 1259 (9th Cir. 1998); *Kimel v. Florida Bd. of Regents*, 139 F.3d 1426 (11th Cir. 1998); *College Savs. Bank*, 148 F.3d 1343.

B. Under the *Morgan-Flores* Test, the Patent Remedy Act Is a Valid Exercise of Enforcement Clause Legislative Authority

1. The Act "May Be Regarded" As an Act to Enforce the Fourteenth Amendment

The Patent Remedy Act meets the first part of the *Morgan-Flores* test because the Act plainly "may be regarded" as an act to enforce the Due Process Clause.⁶ Congress itself expressly relied on section 5 in passing the Act, stating that subjecting states to infringement suits is "justified as an acceptable method of enforcing the provisions of the fourteenth amendment [This law] represent[s] a valid extension of Congress' right to protect the property rights of patent and trademark holders." S. Rep. No. 102-280, at 8 (1992).⁷

Patents, like copyrights, are plainly property. "That a patent is property, protected against appropriation both by individuals

⁶ The court in *Chavez* based its decision in part on the theory that "only federal statutes that enforce the Equal Protection Clause have been held to permit suits against unconsenting states." *Chavez*, 157 F.3d at 290. This ignored this Court's statement in *Flores* that "[t]he 'provisions of this article,' to which § 5 [of the Fourteenth Amendment] refers, include the Due Process Clause" 117 S. Ct. at 2163.

⁷ The identical justification was applied to the CRCA. See S. Rep. No. 102-280, at 9 ("A similar problem existed with copyright laws prior to passage of the Copyright Remedy Clarification Act of 1991."). Comparison of the legislative reports accompanying the Patent Remedy Act with those accompanying CRCA shows that the reports and the justifications for the laws were virtually identical.

and by government, has long been settled." *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415 (1945).⁸ They are transferable, assignable, and can be bequeathed by will. See 35 U.S.C. § 261 (1998) ("[P]atents shall have the attributes of personal property."). A patent holder has the exclusive right to make, use, offer to sell, or sell the patented device. 35 U.S.C. §§ 154(a)(1), 271(a) (1998). This right to exclude is "one of the most essential sticks in the bundle of rights that are commonly characterized as property." *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979). The fact that patents are intangible is irrelevant. "[T]he types of interests protected as 'property' are varied and, as often as not, intangible, relating 'to the whole domain of social and economic fact.'" *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 430 (1982) (quoting *National Mut. Ins. Co. v. Tidewater Transfer Co.*, 337 U.S. 582, 646 (1949) (Frankfurter, J., dissenting)); see also *Board of Regents v. Roth*,

⁸ See also *William Cramp & Sons Ship & Bldg. Co. v. International Curtis Marine Turbine Co.*, 246 U.S. 28, 39-40 (1918) (principle "indisputably established" that "rights secured under the . . . patent by the United States were property and protected by the guarantees of the Constitution and not subject therefore to be appropriated even for public use without adequate compensation"); *Hollister v. Benedict & Burnham Mfg. Co.*, 113 U.S. 59, 67 (1885) (use of patented invention by government without permission "would seem to be a clear case of the exercise of the right of eminent domain, . . . an action on which would lie, within the jurisdiction of the Court of Claims"); *James v. Campbell*, 104 U.S. 356, 357-58 (1882). For copyright, see, e.g., *De Sylva v. Ballentine*, 351 U.S. 570, 582 (1956) ("Since the author cannot assign his family's renewal rights, § 24 takes the form of a compulsory bequest of the copyright to the designated persons. This is really a question of the descent of property . . .").

408 U.S. 564, 571 (1972).

Given the longstanding recognition by this Court that patents (and copyrights) are "property" within the meaning of the Constitution, this case presents no occasion for deciding whether or not all other statutory causes of action providing damage remedies create "property" within the meaning of the Due Process Clause. Whatever may be true in other contexts, copyright and patent owners indisputably possess "property" that governments are bound not to seize, take, use, or exploit without just compensation and without notice and opportunity to be heard. This Court and Congress have so recognized, where the federal government is concerned, for more than one hundred years. See *Cramp*, 246 U.S. at 39-40 (patent rights may not "be appropriated even for public use without adequate compensation"); *Hollister*, 136 U.S. at 67; *James*, 104 U.S. at 358 (noting that Congress's power to protect and induce the creation of intellectual property "could not be effected if the government had a reserved right to publish such writings or to use such inventions without the consent of the owner").

There is no comparable basis for a different rule as to the states. Just as Florida could not seize \$1,000,000 worth of textbooks from a warehouse without notice, opportunity to be heard, or a lawful claim, so too it cannot lawfully take that same \$1,000,000 from a publisher by making (without notice, hearing, or any lawful claim) its own copies of texts or software or music or videotapes for which the publisher would have charged \$1,000,000. The Federal Circuit was therefore correct in holding that failing to recognize Congress's power to abrogate state immunity for patent infringement would be a "direct contradiction of the text of the Fourteenth Amendment." *College Savs. Bank*, 148 F.3d at 1352.

It is no answer to claim that there is no Due Process violation at issue because Florida may have provided its own

substitute patent remedies. First, Congress has the undoubted authority, and also the duty, to create a general remedy for patent and copyright infringement. The argument propounded by Florida and its *amici* — that Congress may enforce the Due Process Clause only to precisely whatever extent that the states have not done so — is belied by the fact that a single national scheme for the protection of intellectual property was thought necessary at the nation's founding. With respect to both copyright and patent, "[t]he public good fully coincides . . . with the claims of individuals. The States cannot separately make effectual provisions for either of the cases" The Federalist No. 43 (Madison); see also *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996) (emphasizing "importance of uniformity in the treatment of a given patent").

This Court has continued to abide by the Founders' vision of "national uniformity in the realm of intellectual property." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989). A uniform national rule protecting such property is important because property in ideas is ephemeral, economically important, and crosses state boundaries easily. See *id.* at 163. "The offer of federal protection from competitive exploitation of intellectual property would be rendered meaningless in a world where substantially similar state law protections were readily available." *Id.* at 151. A patchwork system of state patent and copyright regulation that applied to any intellectual property created or used by state entities would eviscerate the Founders' policy and effectively overrule this Court's holding in *Bonito Boats*.

Congressional authority to enforce the Due Process Clause by deterring and providing for remedy against state infringement of intellectual property is therefore not limited to the relief this Court would afford in a § 1983 action for damages against a state officer who undertook the infringement.

In *Morgan*, this Court held that Congress had the authority to enforce the Equal Protection Clause against states, even where there was no showing of discriminatory purpose as to particular states' voting qualifications. See *Morgan*, 384 U.S. at 648-49. Congress has the authority to enact such protections even where they cannot be asserted directly by litigants in a private suit. Compare *id.* at 657 ("[W]e need not decide whether a state literacy law . . . discriminates invidiously against those educated in non-American-flag schools."), with *Washington v. Davis*, 426 U.S. 229 (1976) (evidence of discriminatory purpose necessary to sustain claim of equal protection violation).

Similarly, Congress need not limit its remedy to states that lack a state law infringement remedy or substitute, where Congress has found that a more general remedy may better deter state violation and enforce the guarantees of the Due Process Clause. "Congress may, in determining what is 'appropriate legislation' for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts." *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976). Congress may thus provide general remedies for patent and copyright infringement under the Fourteenth Amendment even though such remedies cannot be applied against states under Congress's Article I authority. See, e.g., *Oregon v. Mitchell*, 400 U.S. 112, 235 (1970) (Harlan, J.) (noting that "there is no question but that Congress could legitimately have concluded that the use of literacy tests anywhere within the United States has the inevitable effect of denying the vote to members of racial minorities").

Second, the taking of patent rights and copyrights is a constitutional violation even under existing Court precedents. The deprivation of patent or copyright property interests without compensation is a taking in violation of the Fourteenth

Amendment. See *Chicago, Burlington & Quincy R.R. v. Chicago*, 166 U.S. 226, 241 (1897) (holding taking violation of Fourteenth Amendment); *Hartford-Empire*, 323 U.S. at 415 (infringement is a taking). Copyright and patent property rights are essentially the right to say yes or no to licensing requests, together with the right to exact payment for licenses uses. The fact that the taking may not deprive the owner of the full use of property, while important in the regulatory taking context, see *Concrete Pipe & Prods. of Cal., Inc. v. Construction Laborers Pension Trust*, 508 U.S. 602, 645 (1993), is unimportant in the direct taking context, see *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 435-36 (1982) (permanent deprivation of property interest is taking regardless of size). A direct state infringement of any magnitude is an unlawful, compensable taking. See *Crozier v. Aktiengesellschaft*, 224 U.S. 290, 305-06 (1912) (Congress may by statute provide remedy for taking by federal government of patent rights); *Cramp*, 246 U.S. at 39-40 (infringement by federal government is unconstitutional taking); *Hollister*, 136 U.S. at 67 (same).

State infringement of patent rights and copyrights is also a taking of the rights-holders' invested property interest in the federal legal remedy that Congress has provided. "[A] cause of action is a species of property protected by the Fourteenth Amendment's Due Process Clause." *Logan*, 455 U.S. at 428. Patent holders such as the respondent have a legitimate expectation of the availability of a uniform federal remedy for patent infringement. This expectation is a property interest. "Certainly, it would require a remarkable reading of a 'broad and majestic [term],'" to conclude that a state law cause of action is property, as this Court has already held, while the federal patent and copyright causes of action are not. *Id.* at 431 (quoting *Roth*, 408 U.S. at 571) (citation omitted).

For all these reasons, the Patent Remedy Act and its sister

act, CRCA, are clearly acts that "may be regarded as . . . enactment[s] to enforce" the Fourteenth Amendment.

One *amicus* supporting petitioner has argued that because patent rights cannot be enforced against states under Article I, states have no obligation to respect patent rights. See Brief *Amicus Curiae* of the Regents of the Univ. of Cal. at 15. This profoundly unhistorical argument ignores the fact that notwithstanding the United States's sovereign immunity, many cases have recognized over the last 120 years that patent rights apply against the United States, and that government infringement is a deprivation of property violative of the Constitution. See, e.g., *Cramp*, 246 U.S. at 39; *Hollister*, 136 U.S. at 67; *James*, 104 U.S. at 358. It also ignores this Court's holding in *Garcia v. San Antonio Metropolitan Transit Authority*, 469 U.S. 528 (1985), that Congress may impose duties on states under Article I, and it is entirely inconsistent with the established principle that states can waive their Eleventh Amendment immunity and subject themselves to suit in federal court. See *Seminole Tribe*, 517 U.S. at 65. A party cannot consent to a lack of subject matter jurisdiction. See *Industrial Addition Ass'n v. Commissioner*, 323 U.S. 310, 313 (1945) ("Want of jurisdiction, unlike want of venue, may not be cured by consent of the parties . . .").

Nor does the fact that the property at issue is the creature of federal law pursuant to Congress's powers under Article I detract from Congress's power to protect it under the Enforcement Clause. The Due Process Clause protects all interests in property, no matter what the source. See *Logan*, 455 U.S. at 430-31 (state-created property); *Goldberg v. Kelly*, 397 U.S. 254 (1970) (both state-created and federally-created property). Similarly, Congress has the same authority with respect to property interests created by federal law, and hence created pursuant to Article I. This is no "end run" around

Seminole Tribe,⁹ but the consequence of the fact that the Due Process Clause protects *property*, and that the Enforcement Clause arms Congress with the power to prevent and remedy state deprivations of property.

2. The Patent Remedy Act, Like CRCA, Is "Remedial," Not "Definitional or Substantive," and Is "Plainly Adapted" to Deterring Infringement and Remediating It Where It Occurs

The second *Morgan-Flores* inquiry is whether the Patent Remedy Act is "plainly adapted" to enforcing the Due Process Clause, entailing consideration of the "congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." *Flores*, 117 S. Ct. at 2164. Congress is entitled to remedy constitutional violations so long as its remedial measures are "appropriate[] . . . in light of the evil presented." *Id.* at 2169. Nor is Congress limited to legislation that prohibits only unconstitutional acts. "Legislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into 'legislative spheres of autonomy previously reserved to the States.'" *Id.* at 2163 (quoting *Fitzpatrick*, 427 U.S. at 455). The Patent Remedy Act is constitutional if there is "a congruence between the means used and the ends to be achieved." *Id.* at 2169.

Congress decided that the ends to be achieved were vitally important, since the extent of threatened constitutional violations was substantial. As this Court recognized in *James*, 104 U.S. at 358, "Many inventions relate to subjects which can

⁹ The phrase is from the Fifth Circuit's vacated *Chavez* decision, 157 F.3d at 289.

only be properly used by the government. . . . If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments."

In the copyright context, for example,¹⁰ the legislative history of CRCA, including a lengthy Report of the Register of Copyrights, detailed the extent of the constitutional violations Congress foresaw if the Eleventh Amendment barred infringement suits against states. Congress knew that state entities had been sued for infringement,¹¹ and found that substantial deprivation of property without due process would result without the federal court damage remedy provided in CRCA. Congress's investigation into such harms was supported by an "extensive survey of the practical implications" by the Copyright Office, and Congress's own substantive findings that without CRCA states would be free to "copy and seriously erode the market," undermining the economic incentive to publish quality works in quantity. H.R. Rep. No. 101-282 (I), at 3, 8 (noting that as of 1989 "there [we]re approximately \$1.1 billion of book sales to entities with potential Eleventh Amendment immunity"); *see also* S. Rep. No. 101-305, at 9, 11; Report of Register at 16. Congress concluded that undeterred state infringement would drive up the prices of copyrighted works for non-infringing users and erode the benefits of a unitary copyright system. *See* H.R. Rep. No. 101-

¹⁰ *Amici* here focus on their area of special expertise and leave to others the burden of demonstrating similar harms in the patent context.

¹¹ *See, e.g., Mills Music, Inc. v. Arizona*, 591 F.2d 1278 (9th Cir. 1979); *BV Eng'g v. University of Cal.*, 858 F.2d 1394 (9th Cir. 1988); *Richard Anderson Photography v. Brown*, 852 F.2d 114 (4th Cir. 1988).

282, at 10-11. Such findings warrant substantial deference. *See Flores*, 117 S. Ct. at 2172.

Congress's findings were if anything understated, in light of the increased risk of patent and copyright infringement today. Intellectual property — copyrights, patents, trademarks, and trade secrets — now constitutes a critical component of the economy, driving U.S. economic growth and leadership in world markets in many fields, including technology, medicine, motion pictures, music, print and multimedia publishing, among others. As has been the case for at least eighty-nine years, Congress has recognized its duty to provide remedies for unconstitutional infringement of such rights by the government. *See Crozier*, 224 U.S. at 34-05. Much of this property is sold or licensed in markets in which the government is an important or even the sole purchaser. *See James, supra*. A holding that states may deprive copyright or patent owners of their lawful rewards without fear of damage actions thus has grave implications not just for individual copyright owners but for a significant sector of the U.S. economy.

Immunity from infringement suits is, by the very nature of things, tantamount to an invitation to infringe. Indeed, a duty to conserve the public's funds could constitute an obligation, not just an invitation, to infringe. Congress had ample ground for believing that absent a damage remedy there could be insufficient deterrence against infringement, since the gains to state budgets from taking instead of paying are enormous. Because the principal market for many works is, or could be, the government, the harm threatened by such immunity is immense. Even though a copyright owner might enjoin future copying of the work found to have already been copied, a one-time savings from the copying of 200,000 textbooks or 5,000 copies of Lotus Notes would still make the copying well worthwhile, and could be effected before the publisher had

sufficient knowledge to seek injunctive relief. Although the court in *Chavez* suggested that a copyright owner could avail herself of contract remedies in state court, *Chavez*, 157 F.3d at 291,¹² states will have little incentive to enter into contracts if they are immune from infringement suits, and infringement can be routinely engaged in without any surrounding contractual relationship.

Intangible intellectual property such as copyright and patent is just as critical to someone who relies on it for his livelihood as are other forms of property. Without the deterrent impact of the Patent Remedy Act's and CRCA's remedial provisions, states could sell biotechnology research owned by Glaxo; copy or sell software that belongs to Texas Instruments or Compaq; print books published by the McGraw-Hill Companies or Southern Methodist University Press; distribute songs written by Willie Nelson or Waylon Jennings; all free of any liability whatsoever. If Florida simply seized the revenues of authors or publishers without any hearing, no one would doubt that a deprivation of property without due process had occurred. If without authorization Florida prints 200,000 infringing copies of a fifth-grade mathematics textbook and distributes those copies to every primary school in the state, or if it were to make thousands of copies of Lotus Notes available to every state employee, the same wrong has occurred: the state has deprived the copyright owner of a vital property interest (the amount charged for the book) without due process of law — indeed, without any process at all.

Congress thus had an adequate basis to perceive a substantial threat to copyright and patent property rights created

¹² And, as noted above, the assumption that state courts are available for infringement suits under federal law may be incorrect. *See Alden*, No. 98-436.

by state immunity from suit. Nor is Congress forced to wait until the harms become rampant before it is allowed to act. For example, in *Morgan*, although Congress made generalized findings that English language voting tests could be used to discriminate against Spanish-speaking minorities, it provided no specific instances of such discrimination. See 42 U.S.C. § 1973b(f) (1998). While there may not have been an abundance of infringement suits against states in the first two centuries of the Constitution's history, it is also true that state agencies have only relatively recently entered such commercial fields as biotechnology and publishing. Congress found that states' participation in these areas, and consequent infringement of intellectual property rights, would continue to increase, and its findings are entitled to much deference by this Court. See *Flores*, 117 S. Ct. at 2172; *F.C.C. v. Beach Communications, Inc.*, 508 U.S. 307, 314 (1993).

Nor does the scope of the Patent Remedy Act or CRCA "reflect[] a lack of proportionality or congruence between the means adopted and the legitimate end to be achieved." *Flores*, 117 S. Ct. at 2171. The fundamental inquiry in determining whether legislation is within Congress's Enforcement power is whether it is "remedial" or "corrective" and so within Congress's Enforcement power, or "definitional" or a substantive attempt to expand constitutional rights and therefore beyond what Section 5 authorizes. In truth, the Patent Remedy Act and CRCA are more clearly and narrowly "corrective" and "remedial" than any Act of Congress subject to that inquiry ever considered by this Court. They provide *only* a remedy (and, indeed, essentially the same remedy already afforded private litigants).

Unlike the Religious Freedom Restoration Act, struck down in *Flores*, the Patent Remedy Act and CRCA do not apply to state actions and laws generally, but only to those few

actions that infringe intellectual property rights. The Acts do not "pervasively prohibit[] constitutional state action in an effort to remedy or to prevent unconstitutional state action." *Id.* at 2170. Rather, Congress narrowly and precisely provided a remedy to the threat: a state that does not infringe is not subject to the acts. This is in stark contrast to Religious Freedom Restoration Act at issue in *Flores*, which would have broadly applied "the most demanding test known to constitutional law" to state and local legislation of every conceivable stripe. *Flores*, 117 S. Ct. at 2171. Here, by contrast, states were *already* subject to the prohibitions of patent and copyright law. In the case of CRCA, while Congress found that "the potential exists for immediate harm to copyright proprietors" without an abrogation of state immunity, "[n]o State official asserted that the States could not do State business without immunity from copyright violations." 135 Cong. Rec. E524, E525 (Feb. 27, 1989) (Rep. Kastenmeier). The Patent Remedy Act and CRCA thus do not "decree the substance of the Fourteenth Amendment's restrictions on the States." *Id.* at 2164. Rather, they subject states to a traditional damage remedy, akin to those to which others are subject, for wrongful conduct in which the states have no right to engage, just as the Act of 1910 at issue in *Crozier* and *Cramp* provided for damage remedies when the Federal government infringes patent rights.

The Patent Remedy Act and CRCA are thus no more "intrusive" than any other remedial legislation under the Fourteenth Amendment must necessarily be. The patent law's triple damage remedy, 35 U.S.C. § 284 (1998), for example, which petitioner particularly emphasizes, is clearly within the bounds of Congressional authority. Treble damages would only apply when in the discretion of the court they were appropriate — for instance, where the infringement is willful. Congress is entitled to provide such damages against states in egregious cases. See *Varner v. Illinois State Univ.*, 150 F.3d 706 (7th Cir.

1998) (compensatory damages applicable against state for Title VII violation); 42 U.S.C. § 1981a(b)(2) (1998). In any event, it surely cannot be "overly sweeping" for Congress to take an action that is the very definition of pareto superior: one that has the benefit of enforcing compliance with concededly applicable norms while doing no harm whatever if the norms are complied with. Indeed, as the case law in the patent realm suggests, Congress has an affirmative duty to provide such remedies. See *Crozier*, 224 U.S. at 305-06; *Cramp*, 246 U.S. at 39-40; *Hollister*, 136 U.S. at 67.

To be sure, Congress might have attempted to tailor its remedy narrowly to only those states, if any, that do not already afford sufficient remedy for the deprivation of intellectual property. But Congress is entitled to prefer uniform remedies to state-by-state solutions. Nor does the mere existence of narrower measures mean that the current remedy structure is "disproportionate" or transform the Patent Remedy Act into a substantive rather than a remedial measure. No matter what maximum damage remedy Congress provides, it could always be lower; if *Ex Parte Young* injunctions are relied upon, they could be limited in time; if damages are left to state laws, Congress could preempt them. The relevant question is not whether lesser remedies were conceivable, but whether the remedies Congress provided are "plainly adapted" to prevent and remedy violations of the Due Process Clause. As demonstrated above, the Patent Remedy Act and CRCA meet that criterion.

3. The Act Is Consistent With the Letter and Spirit of the Constitution

The third *Morgan-Flores* inquiry is whether the act in question "is not prohibited by but is consistent with 'the letter and spirit of the constitution.'" *Morgan*, 384 U.S. at 651. The enactment of effective, comprehensive, and universally

applicable remedies to "promote the progress of science and useful arts" through the grant of enforceable property rights in intellectual property is consistent with the text and spirit of the Copyright, Patent, and Due Process Clauses, not contrary to them. See *The Federalist* No. 43 (Madison). Unlike *Flores*, here there is not even a plausible argument that the Patent Remedy Act or CRCA violates other constitutional provisions or invades areas of reserved state police power. States have no right to infringe. Preventing such infringement, through statutes that punish only infringing states, is within Congress's prerogative under the Enforcement Clause.

CONCLUSION

Having met all three portions of the *Morgan-Flores* inquiry, the Patent Remedy Act and CRCA are both constitutional exercises of congressional power. Any Eleventh Amendment immunity states might have had from infringement suits in federal court was abrogated when Congress acted to protect intellectual property against state deprivation without due process. The judgment of the Court of Appeals for the Federal Circuit should be affirmed.

Respectfully Submitted.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK AND
UNITED STATES OF AMERICA,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

UNOPPOSED MOTION FOR LEAVE TO FILE
BRIEF OUT OF TIME AND BRIEF OF AMICUS CURIAE
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IN THE
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FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD,
Petitioner,

v.

COLLEGE SAVINGS BANK AND
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Respondents.

**ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

**UNOPPOSED MOTION FOR LEAVE TO FILE
AMICUS CURIAE BRIEF OUT OF TIME**

The Federal Circuit Bar Association respectfully moves for an extension of time in which to file the attached brief Amicus Curiae out of time in support of affirmance of the decision of the United States Court of Appeals for the Federal Circuit. The Association respectfully requests that the Court grant an extension of time up to and including April 6, 1999, for filing of the attached brief, 40 copies of which are submitted in accordance with Rule 21.2 of the Rules of this Court.

As noted in the attached brief, all parties have consented to the filing of the Association's brief. In addition, none of the parties object to the requested extension.

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Amicus believes that the attached brief conforms to the requirements of Rule 37.1, and that, based on the consent of the parties, there would be no prejudice from acceptance of this brief. Counsel for Petitioner was provided a copy of Amicus' brief in sufficient time to allow Petitioner to respond to the points made in Amicus' Brief.

Respectfully submitted,

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STATEMENT OF AMICUS CURIAE

The Federal Circuit Bar Association ("the Association") is a national organization comprised of approximately 2,200 members who practice before or have an interest in the decisions of the United States Court of Appeals for the Federal Circuit. The Association offers a forum for the discussion and exchange of issues and concerns regarding the Court's areas of exclusive subject matter jurisdiction, and fosters dialogue among the Federal Circuit and the Association's members, including government counsel and private practitioners, litigators and corporate counsel. The members of the Association represent and advise owners of thousands of patents, and thus, have an interest in developing a reliable patent system as part of the intellectual property landscape.¹

SUMMARY OF ARGUMENT

The Association submits this brief in support of the decision of the United States Court of Appeals for the Federal Circuit. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343 (Fed. Cir. 1998), *cert. granted*, No. 98-531 (January 8, 1999). The Federal Circuit's decision upheld the constitutionality of Section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-506, 106 Stat. 4230 (1992) 35 U.S.C. §§ 271(h), 296(a) ("the Patent Remedy Act"), leaving in place private parties' rights to bring suit in Federal

¹Pursuant to Rule 37.6, none of the parties or their counsel has contributed either substantively or monetarily to the preparation of this brief. Specifically, only the Association, its members and their firms, have made a monetary contribution to the preparation and submission of this brief. Written consent to the filing of this brief has been obtained from all parties and is filed herewith.

Court for patent infringement against individual States and their related entities.

Petitioner urges this Court to hold that Section 2 of the Act violates the Eleventh Amendment of the United States Constitution, contending both that patents are not "property" under the Fourteenth Amendment and that, in any event, effective post-deprivation remedies exist to make abrogation of immunity unnecessary. The Association submits that Petitioner has erroneously construed Eleventh and Fourteenth Amendment precedents as they relate to patents as property. Petitioner, and supporting amici, also overstate the nature and effectiveness of post-deprivation remedies that have been made available to patent owners by the individual states.

This Court's Eleventh and Fourteenth Amendment precedents are discussed at varying length in the parties' and other amicus briefs, and will not be repeated *in toto* here. Rather, the Association submits this brief to focus on two issues that are relevant to the decision and which the Association believes could have significant impact in the area of patent law: (1) whether a United States patent is "property" under the Fourteenth Amendment; and (2) whether existing state remedies provide constitutionally adequate due process to protect Article I patent rights.

For over two hundred years, patents have been granted to the discoverers of new and useful inventions and, once granted, have afforded "exclusive property" rights, most notably, the right to exclude others from making, using, or selling the patented invention. This Court and the federal appellate courts have consistently held that, under the Fifth Amendment, patents are "property," the taking of which is subject to redress under that Amendment's takings clause. Given that patents are property within the purview of the Fifth Amendment, a fact acknowledged and relied on by opponents of the decision below, there is no compelling reason to treat patents differently under the Fourteenth Amendment.

The fifty States do not provide constitutionally adequate remedies for patent infringement, such that there can be no abrogation of Eleventh Amendment immunity. Petitioner's, and the amici states', assertions that existing post-deprivation remedies are constitutionally adequate fail to consider several salient points, including: (1) the impact of the patchwork remedies on this federally-created property right; (2) the ineffectiveness of the various state procedures; (3) the failure of all states to provide post-deprivation remedies, leaving significant gaps in protection of the federal patent property right; and (4) the threat to exclusivity, the defining element of the property right, if injunctive relief is not available through each state's remedial procedures.

ARGUMENT

I. PATENTS ARE "PROPERTY" UNDER SECTION 1 OF THE FOURTEENTH AMENDMENT

A threshold issue in this appeal is whether a United States patent, which is itself rooted in Article I, Section 8 of the U.S. Constitution, is "property" under the Fourteenth Amendment. If patents are "property" under the Fourteenth Amendment, then the Court must address whether Congress's passage of the Patent Remedy Act falls within the purview of allowable actions under Section 5 of the Fourteenth Amendment.

Historically, patents have been viewed and treated as property. The patent right has consistently been described and applied in the same terms and manner used for other forms of property. Moreover, the remedies available to patent owners are based on the property right accompanying the patent grant. There is no plausible explanation to describe what other type of right a patent might constitute. Finally, Petitioner and supporting amici present no compelling reason to change this historical treatment of the patent right.

A. *The Early Patent Statutes*

The assertion that a patent does not convey the same scope of rights as other property is inconsistent with the historical precepts of both property rights generally and patent rights in particular. Over two hundred years ago, long before ratification of the Fourteenth Amendment, the early patent statutes recognized that patents, which convey the right to exclude others from practicing the protected invention, are property. The early patent statutes expressly referred to patents as the "exclusive property" of the patentee. For example, in

1793, the patent statute enacted by Congress included the following language:

Section 1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That when any person or persons, being a citizen or citizens of the United States, shall allege that he or they have invented any new and useful art, machine, manufacture or composition of matter, or any new and useful improvement on any art, machine, manufacture or composition of matter, not known or used before the application, and shall present a petition to the Secretary of State, signifying a desire of obtaining an *exclusive property* in the same, and praying that a patent may be granted therefor, it shall and may be lawful for the said Secretary of State, to cause letters patent to be made out in the name of the United States

Patent Act of 1793, Ch. 11, 1 Stat. 318-323 (February 21, 1793) (emphasis added).

In 1836, Congress amended the patent statute, and again enunciated the patent right as one granting "exclusive property" to the patentee:

Sec. 6. And be it further enacted, That any person or persons having discovered or invented any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvement on any art, machine, manufacture, or composition of matter, not known or used by others before his or their discovery or invention thereof, and not, at the time of his application for a patent, in public use or on sale, with his consent or allowance, as the inventor or

discoverer; and shall desire to obtain an *exclusive property* therein, may make application in writing to the Commissioner of Patents, expressing such desire, and the Commissioner, on due proceedings had, may grant a patent therefor

Patent Act of 1836, Ch. 357, 5 Stat. 117 (July 4, 1836) (emphasis added). These enactments make clear that long before the Fourteenth Amendment was ratified, patents were deemed to convey an "exclusive property" right in and to an invention. That understanding never changed.

B. Patents Include the "Most Essential" Aspect of Property—The Right to Exclude

The Federal Circuit, citing numerous authorities, acknowledged patents' status as property, remarking that "[i]t is, of course, beyond cavil that the patent owned by College Savings is property." *College Savings Bank v. Florida Prepaid Postsecondary Educational Expense Board*, 148 F.3d 1343, 1349 (Fed. Cir. 1998). These authorities, and others from this Court, all recognize the fundamental nature of property--the right to exclude. *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979). "[The] right to exclude others" constitutes "one of the most essential sticks in the bundle of rights that are commonly characterized as property." *Id.* This right remains a fixture in today's patent law. The current patent statute grants the patentee the right, *inter alia*, to exclude others from making, using, selling, offering for sale, and importing the claimed invention. To argue that the patent property right is somehow lesser (or more "limited") than other property rights misconceives the nature of property, and casts the patent grant in a new, diminished light.

The essence of common law property rights has always been the right to exclude. See, e.g., Sir William Blackstone,

Commentaries on the Laws of England, 11th Ed. (London, 1791) Vol. II, p. 2. Blackstone defines property as: "That sole and despotic dominion which one man claims and exercises over the external things of the world, in total *exclusion* of the right of any other individual in the whole universe." *Id.* (Emphasis added). This right to exclude has always defined the concept of property, whether that property consists of a land grant (real property), personal property, a patent for mineral rights, or a patent for an invention. Other property rights flow from this essential, defining right. In the case of real property, for example, it is through the right to exclude others from use or entry that one obtains the value of subsequent uses--i.e., the right to build, farm, or otherwise make use of land. George P. Smith, II, *Nuisance Law: The Morphogenesis of an Historical Revisionist Theory of Contemporary Economic Jurisprudence*, 74 Neb. L. Rev. 658 (1995).

Nor is a patent more "limited" than other types of property because the patentee does not receive the absolute right to make the patented invention. *Bloomer v. McQuewan*, 55 U.S. 539, 548 (1855); *Leatherman Tool Group Inc. v. Cooper Indus., Inc.*, 131 F.3d 1011, 1014 (Fed. Cir. 1997). The limitations on the rights provided by the patent grant are not dissimilar to the limitations placed by society on the rights to use other forms of property. For example, real property, like a patent, is subject to certain external restrictions, despite the right to exclude. For real property, the exercise of "despotic dominion" is subject to limitations such as the rights of adjoining parcels, environmental restrictions, building codes, and other restrictions imposed by the common law and governmental regulation. *Dolan v. City of Tigard*, 512 U.S. 374 (1994); Smith, *supra*, 74 Neb. L. Rev. at 666. For patents, the right to exclude is tempered only to the extent practicing one's invention might impinge others' rights (e.g., dominant patents, misuses, etc.) In both cases, the right to exclude does not include the absolute right of enjoyment. See *Lucas v. South*

Carolina Coastal Council, 505 U.S. 1003, 1030 (1992). Thus, there is no meaningful distinction between patents as property and other property such that patents do not constitute property under the Fourteenth Amendment.

C. *Patents Are Property Under Both the Fifth and Fourteenth Amendments*

This Court's prior decisions applying the Fourteenth Amendment do not establish a new or unique form of property. Rather, they indicate that the Fourteenth Amendment applies to that "property" which is precisely identified. *Bowen v. Public Agencies Opposed to Social Security Employment*, 477 U.S. 41, 55 (1986). Such property interests "are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that secure certain benefits and that support claims of entitlement to those benefits." *Board of Regents of State Colleges v. Roth*, 408 U.S. 564, 577-78 (1972). This specifically includes interests created and defined by statutory terms. *Id.* at 578. Patents, as statutory property creations, fall squarely within this definition.

Further support for the conclusion that patents are "property" protectable under the Fourteenth Amendment comes by analogy to Fifth Amendment jurisprudence. In *Hughes Aircraft Co. v. United States*, 86 F.3d 1566, 1571, 39 U.S.P.Q.2d 1065, 1068 (Fed. Cir. 1996), *vacated on other grounds*, 117 S.Ct. 1466 (1997), the Federal Circuit stated that the "unlicensed use of a patented invention is properly viewed as a taking of property under the Fifth Amendment." This Court's decisions are in accord. See *James v. Campbell*, 104 U.S. 356, 358 (1881) (emphasis added), where the Court stated:

That the government of the United States when it grants letters-patent for a new invention or

discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.

This same language was quoted approvingly in *United States v. Palmer*, 128 U.S. 262, 271 (1888), shortly after ratification of the Fourteenth Amendment.

Having yielded to Congress the power and duty to "secur[e] to inventors the exclusive right to their . . . discoveries," there is no logical reason why property should have one meaning for purposes of applying the Fifth Amendment's protections, and another, different meaning when applying the Fourteenth Amendment.

II. **EXISTING STATE REMEDIES DO NOT PROVIDE A CONSTITUTIONALLY ACCEPTABLE SUBSTITUTE FOR FEDERAL COURT JURISDICTION IN THIS UNIQUE SITUATION**

Under this Court's Fourteenth Amendment jurisprudence, Congress may abrogate Eleventh Amendment immunity if, *inter alia*, the states provide inadequate remedial measures for correcting the violative action. Several reasons exist for concluding that the existing state remedial measures for patent infringement are inadequate, thereby justifying Congressional action.

A. *Inconsistent Treatment of Patents by the States
Would Undermine Almost Two Decades of
Harmonization*

By creating the Federal Circuit, Congress acted to bring uniformity and certainty to the enforcement of patent rights. This action was taken pursuant to the authority of Article I, to "secur[e] to inventors the exclusive right to their . . . discoveries." Congress concluded that the effectiveness of the patent property right demanded greater certainty than was then available from the several circuit courts of appeal. It substituted a national court with subject matter jurisdiction, and removed all other appellate courts' jurisdiction over appeals arising under the patent laws.

This carefully considered need for the vitality of the patent system could be eviscerated by allowing the states to assert sovereign immunity. Sustaining Eleventh Amendment immunity raises the potential for not just several courts, but for up to fifty different state supreme courts, and countless intermediate courts of appeal and trial courts, to issue decisions that affect the scope of patent rights. The Association respectfully submits that it is folly to believe that the potential for conflicting decisions is minimal. Moreover, the possibility of inconsistent results relating to the *same* patent would increase markedly. If the danger of inconsistency was not real and of import, there would have been no need for the Federal Circuit, a court that replaced only the courts of appeal, in the first place.

State courts are ill-prepared to handle patent cases, a fact recognized by opponents of the Federal Circuit's decision, who argue that all of these myriad state courts will likely look to Federal Circuit precedent as guidance. Finally, because many states' remedies do not even include judicial relief, the likelihood of inconsistent results is exponentially higher, and the

probability is greater that Federal Circuit authority will be cast aside in favor of more parochial concerns.

B. *Individual State Determinations About Patent
Liability Would Raise New Uncertainties*

Even if all fifty states provided some form of post-deprivation process for redress of patent infringement,² the uniquely federal nature of patents dictates against allowing different procedures and potentially different results that would occur if Petitioner's position were adopted. In addition to the concern that applying the Eleventh Amendment would allow takings of property outside the states' borders, immunity would also require determining whether and to what extent such decisions have precedential effect (in other state courts, or in federal courts).

Eleventh Amendment immunity could lead to a particularly nefarious result if one state held a patent invalid, but another sustained its validity. These conflicting results could occur on the basis of the same evidence, and would leave the patent owner with piecemeal patent rights--effective in some states, ineffective in others. In this case, for example, Florida's courts might find Respondent's patent invalid, while another state finds the patent valid. Would the Florida result have preclusive effect? If not, what other issues could result from a patentee's continued assertion of a patent held valid in one state and invalid in another (*i.e.*, misuse, antitrust, unfair competition, etc.)? Moreover, would the invalidating state be inviting parties

²The Appendix to the Brief of Amici Curiae States of Ohio, et al. shows that not all states provide process for redress of patent infringement. At least one state (West Virginia) is admitted to provide no process, while several others are shown to have processes, but no waiver of sovereign immunity for patent infringement. Still others provide no judicial relief, but only allow for relief by the state legislature.

to practice the patent within its borders while the same activity would be impermissible elsewhere?

Federal Court relief for patentees against the states guarantees that a patent valid and infringed in one state will be valid and infringed throughout the land. Without federal court jurisdiction over states' infringement, patentees would be left with less than their whole property right. The federal patent system cannot endure if patent rights are not of equal vitality in all fifty states. Moreover, individual patentees could be deprived of their due process rights on a national scale simply because one state elected to abandon Federal Circuit precedent. The uncertainty such a system would create would undermine the accomplishments of the Federal Circuit, and Congressional intent in implementing Article I, Section 8.

C. *All States Do Not Provide Effective Due Process*

While some states appear to provide judicial or quasi-judicial process for redress against patent infringement, the failure of a number of states to provide adequate due process permits Congressional action to fill the void, where Congress has identified both in prior legislation, and in the legislation at issue, that a primary objective of the abrogation is the maintenance of a uniform system of patent laws. The gaps in protection of the **federal** patent property right renders the due process of **some** states insufficient to defeat the legitimacy of Congress's action. *Compare Katzenbach v. Morgan*, 384 U.S. 641 (1966).

Congress need not have determined that **all** states lacked adequate due process before acting to preserve the uniformity and certainty of the patent system. It was sufficient that Congress found that due process was lacking in enough states to justify federalizing the system of relief available to the holders of this unique federal property right.

D. *The Potential for a Loss of Exclusivity Justifies Congressional Action*

For the "essential stick" of patent property to remain intact, patentees must retain the ability to enjoin infringers against further acts of infringement. Petitioner and its supporting amici seem to recognize this fact, because they acknowledge that patentees may still have a right, under *Ex Parte Young*, 209 U.S. 123 (1903), to sue states in federal courts for injunctive relief. Pet. Br. at 27.

If patentees are forced to sue states in federal courts in order to enjoin state infringement, why is there evil in allowing these same courts to assess damages? Clearly, if the injunctive remedy is available outside state boundaries, in federal court, it is more efficient to have one court deciding all liability issues. If Petitioner's argument is read to include the assumption that such an action could only be brought in an accused state's "home" federal court, this reduces the present argument to a jurisdictional dispute.³

If injunctive relief must be obtained in federal court, this also constitutes an admission that existing state court processes are inadequate to redress fully states' patent infringement. Providing only post-deprivation monetary remedies does not provide complete relief to patentees. And, again, it raises the likelihood of inconsistent results between the two proceedings.

CONCLUSION

The Patent Remedy Act avoids all of the concerns raised by dual state and federal decisions regarding the federal patent

³ Presumably, if the only defect in the Patent Remedy Act is that jurisdiction for actions against states must be limited to federal courts in that state, this Court can so inform Congress, and the statute can be satisfactorily amended.

property right. The Patent Remedy Act continues to guarantee that these unique federal property rights are applied nationally, and avoids piecemeal decision making. Congress acted to protect a federal property right, and in doing so, concluded that only by abrogating the states' immunity from suit for patent infringement could this important property right sustain its value. The decision of the Federal Circuit should, therefore, be affirmed.

Respectfully submitted,

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